

## RESEARCH REPORTS

*Reviews of new research by public agencies and private institutions*

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### **“The 1971–1974 Controls Program and the Price Level: An Econometric Post-Mortem.”**

National Bureau of Economic Research, Inc., 1050 Massachusetts Ave., Cambridge, Mass. 02138. 37 pp.

Authors: Alan S. Blinder and William J. Newton

If the “New Economic Policy” followed by the Nixon administration from 1971 to 1974 is any indication, mandatory wage-price controls alone cannot significantly curb inflation, say Princeton economists Blinder and Newton.

President Nixon began wage and price controls in August 1971 (when inflation reached 4.8 percent) with a 90-day freeze on most wages, prices, and rents (excluded were taxes, mortgage interest rates, and farm produce prices). From November 1971 until December 1972, the administration permitted most wages to rise only 5.5 percent. Businesses were allowed to raise prices only enough to cover rising costs that they could not control—such as increases in the prices of foreign goods. Higher profit margins were prohibited.

After several efforts at gradual decontrol (the final one, carried out industry-by-industry, actually squeezed profit margins), the controls program ended on April 30, 1974. But in February, “catch-up” inflation had already begun, as decontrolled industries scrambled to jack up prices and regain former profit levels. By March, controls on long-inhibited industries such as steel, petroleum, and retail food were finally lifted. The “catch-up” efforts they began combined with OPEC’s oil embargo, its 400 percent increase in oil prices, and global shortages of other key raw materials to produce a shocking 12.72 percent

inflation rate between March and September 1974.

To determine how much the Nixon controls actually restrained inflation, Blinder and Newton examined changes in prices, income levels, and unemployment during the eight-month-long period of double-digit inflation from February to October 1974 and during the preceding and succeeding eight months.

They calculated that controls cut inflation by only 1.34 percentage points from June 1973 to February 1974 (when inflation dipped to 5.9 percent). But decontrol was responsible for fully 5.12 percentage points of the 12.72 percent overall inflation rate from February to October 1974. After this burst of “catch-up” inflation subsided, prices rose at a 7.84 percent annual rate, but decontrol was responsible for only 0.28 percentage points of this.

Did the Nixon wage and price controls leave the country worse off? Yes, say the authors. They note that the freeze that began in August 1971 substantially slowed the inflation rate. But wage-and-price freezes eventually produce massive distortions of the economy, notably shortages of certain goods. The administration’s only option was to raise prices and wages in a selective way. But because so much of the Nixon-era inflation stemmed from factors beyond the controls’ reach—such as commodity prices abroad and the growth of the federal budget—the controls had little effect on the overall

rate of inflation.

Blinder and Newton contend that decontrol after early 1974 greatly increased the acceleration of inflation, as did the controls' uneven application. Yet they add that the Nixon policymakers had little choice. Unless

controls "make exceptions" for industries with major external costs, or for needy groups such as low-wage earners, market disruptions and unnecessary economic hardship are almost sure to result. In short, no good choices existed.

### **"Economic and Energy Problems as Security Issues: France, Europe, and America."**

Prepared for the International Security Studies Program, The Wilson Center, Smithsonian Institution, Washington, D.C. 20560. 37 pp.  
Author: Robert J. Lieber

"The real danger for France today is the oil crisis, not the [Soviet missile] SS-20," said a leading French expert on foreign policy recently. His statement, contends Lieber, a political scientist at the University of California, Davis, is yet another indication that many European nations now see energy shortages as the prime threats to their survival.

The energy crises of 1973-74 (touched off by the Yom Kippur War) and 1978-79 (during the Iranian revolution), showed Europeans how "desperately vulnerable" they have become to cutoffs in the flow of imported oil. France's experience has been typical.

In 1950, coal—most of it domestic—provided 77 percent of France's total energy consumption, and imported oil only 20 percent. But the modernization of the country's industrial plants, the lack of domestic petroleum, and the low price of foreign oil during the 1950s and '60s spurred a massive shift. By 1979, oil imports supplied 57 percent of France's energy and 24 percent of total French imports.

Partly as a result, the annual rate of inflation in France has increased from 6 percent in 1973 to 11 percent today.

And annual economic growth has slowed from 6 percent seven years ago to 3 percent today.

France's go-it-alone response to its energy vulnerability has strained Western unity since 1973. In addition to adopting a strongly pro-Arab stance on Mideast issues, Paris has courted Arab oil-producing countries with offers of advanced technology, nuclear power reactors, and arms. Moreover, France has consistently opposed American efforts to forge an alliance of oil-consuming nations to counter OPEC strength. (Yet, unlike the Americans, Lieber writes, France has helped the cause by holding its oil imports for the past six years to below the 1973 level.)

The oil-related economic problems that will likely plague France and the rest of Europe—with or without future energy crises—could limit NATO members' abilities to keep up their current rates of defense spending.

Moreover, writes Lieber, Americans' failure to significantly cut oil consumption suggests to their allies an insensitivity to Europe's prime concerns. U.S. inaction "risks undercutting much of the basis for alliance cooperation and ultimately for European security itself."

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**“Environmental Contaminants in Food.”**

Office of Technology Assessment, U.S. Congress, Government Printing Office, Washington, D.C. 20402. 229 pp. \$5.50

Thirty thousand chemical and radioactive waste dumps currently dot the United States. Two thousand of them threaten water supplies, crops, and feed with contamination by highly toxic substances such as mercury, radioactive strontium, and PCB compounds.

And these contaminants are only the tip of the iceberg, says Congress's Office of Technology Assessment. Seventy thousand chemicals are now produced in the United States; but federal and state monitoring systems test only for the handful of substances known to have actually poisoned animals or humans here or abroad. Though the technology to detect other possible contaminants exists, it is not being used, say the authors. Reason: The monitoring apparatus scattered among dozens of federal and state agencies has not kept pace with the tremendous growth of the chemical industry (which now accounts for 7 percent of the U.S. GNP).

The Food and Drug Administration, for example, sets acceptable contamination levels immediately following poisonings. But since the FDA only studies contaminants after trouble strikes, its data tend to be “incomplete” and “scanty,” the authors claim. The little long-term research

that does take place often follows rigid and arbitrary guidelines. Some “maximum permissible intake” levels, for example, are calculated for human weights between 132 and 154 pounds—resulting in inadequate safeguards for women and children.

Cooperation among the federal agencies charged with protecting against food contamination—principally, the Department of Agriculture, the Environmental Protection Agency, and the FDA—is poor. When the Agriculture Department discovered PCB contamination in animal feed in Montana in 1979, it took five days for the news to “go through channels” to the proper office at the FDA—which, in turn, took five days more to launch its investigation. By then, contamination had spread to several states.

The report's authors recommend that Congress create an investigatory center (in the Department of Health, Education, and Welfare's Center for Disease Control or in the FDA) that would not only continue monitoring levels of known contaminants but would also study the effects of other substances likely to enter the food chain.

One agency, preferably the FDA, should coordinate all federal efforts against food contamination.

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**“The State of Black America 1980.”**

National Urban League, 500 East 62nd St., New York, N.Y. 10021. 297 pp. \$12.50

For black Americans, the 1970s were a period of only limited economic and social progress—and some backsliding.

As expected, the gap between black and white individual income con-

tinued to narrow. (From 1969 to 1977, black men increased their earnings relative to white males from 67 percent to 73 percent. Black women virtually caught up to white women, advancing from 84 percent of parity to 95

percent, according to figures from *American Demography*.)

However, Dr. Robert B. Hill, the Urban League's research director, contends that individual incomes are a misleading indicator of economic success. The dramatic increase in the number of two-earner white households and a decrease in the number of two-earner black households make family income the most accurate measure of black and white status. Between 1969 and 1978, the number of black families headed by single women rose 257 percent, versus 57 percent for whites, due largely, says Hill, to a huge increase in out-of-wedlock births among young black women. All told, nearly 23 percent of black families, or 1.3 million families, are now headed by single, no-longer-married, or widowed women (versus only about 12 percent, or 580,000 families, in 1969).

Partly as a result, the average income disparity between black and white families widened. In 1969, blacks' median family income of \$6,063 was 61 percent of whites' median family income of \$9,958. But in

1978, the black median family income of \$10,879 equalled only 59 percent of the white income (\$18,368). The gap widened in all regions of the country except the South, where black family income rose from 57 to 59 percent of parity.

Claims by some academics that more than half of all black families have entered the "middle class" are misleading, according to the report.

The proportion of black family heads holding "white-collar" jobs rose from 51 percent to 61 percent between 1969 and 1978. But in 1977, only 30 percent of all black managers and 26 percent of all black professionals earned \$15,000 or more. At the same time, 29 percent of black managers and 25 percent of black professionals earned less than \$6,000.

The numbers of very poor and "middle-middle" class black families both rose during the '70s. But they remained at 28 percent and 25 percent of the total number of black families (5.7 million). A large plurality of black families remains in a lower-middle-income bracket, with earnings between \$6,000 and \$18,699.

### **"Preliminary Report of the Presidential Commission on World Hunger."**

Presidential Commission on World Hunger, 734 Jackson Pl. N.W., Washington, D.C. 20006. 66 pp.

Chronic malnutrition cuts short the lives, stunts the growth, and dulls the mental faculties of an estimated one-eighth of the world's people. More than three-quarters of those afflicted live on the Indian subcontinent, in Southeast Asia, and in sub-Saharan Africa. Half are under five years of age.

Although food production has been increasing faster in the developing nations (except in Africa) than in the industrialized world, rapid population growth in these areas is likely to in-

crease world food deficits over the next two decades.

Today, developing countries grow 87 percent of the food they need; by the end of the century, the figure will fall to 74 percent.

If global grain production (including wheat, rice, corn, barley, sorghum, oats, and rye) continues to rise by 2.7 percent annually, world grain output will be 40 percent above the current level by the year 2000. This will be enough to meet the projected *commer-*

cial demand for food. But it will not be enough to feed the Third World's expected population of 4.5 billion.

An extra 32 million metric tons of grain will be required as early as 1990 to feed the estimated 416 million people who will be too poor to buy their own food.

Part of the looming food gap can be closed by reducing spoilage, which annually ruins at least 10 percent of the world's durable-crop harvest (grains and legumes) and 20 percent of its nongrain perishable staples (such as yams, cassava, and fish).

But the main hope for ending hunger lies in drastically boosting Third World food output, says the Presidential Commission on World

Hunger. Annual increases of 4 percent will be necessary, requiring a doubling of Third World agricultural investment, from \$4 to \$8 billion per year, devoted to fertilizer, irrigation, and farmer education. Much of the financing will have to come from the wealthier countries.

The commission recommends that the United States, the world's largest food producer, "move as rapidly as possible" to increase foreign economic aid as a portion of its GNP from the current 0.22 percent, or \$5 billion, to 0.7 percent (a target figure also set by the United Nations). The United States must "make the elimination of hunger the primary focus of its relations with the developing world."

### "School Crime and the Social Order of the School."

*IRCD Bulletin* (Winter 1979), the Institute for Urban and Minority Education, Box 40, Teachers College, Columbia University, New York, N.Y. 10027. 10 pp. \$1.00

Authors: Francis A. J. Ianni and Elizabeth Reuss-Ianni

Crime in U.S. public elementary and secondary schools peaked between 1972 and 1974.

Today, 8 percent of American public schools are seriously affected by crime, virtually the same level as in 1971. From 1974 to 1976, the proportion of teachers reporting attacks by students dipped slightly (from 3 to 2.9 percent). And the proportion of teachers reporting personal property damage declined (from 11.4 percent to 8.9 percent). Many schools have successfully fought crime even as neighborhood crime rates soared.

Currently, 15 percent of city schools are troubled by violence, compared to 6 percent of suburban and 4 percent of rural schools.

The risk of being attacked or robbed in school generally shrinks as age and grade level increase, but there are a

few exceptions. Seventh-graders are likely victims, possibly because of the difficult adjustments they face moving from strictly supervised grade schools to the greater freedom of junior high. Students age 19 and older are also vulnerable. Most have failed at least one grade and have problems getting along with their peers.

Most crimes involve offenders and victims of the same race, but fully 42 percent are interracial. Surprisingly, student offenders are, as a group, also the most common victims of school crime. These youngsters—many of them from broken homes or bad neighborhoods—comprise a "hard core" of troublemakers.

The courts have been a major spur to school administrators to fight against crime, say Ianni, a professor at Columbia University Teachers Col-

lege, and Reuss-Ianni, research director of the Institute for Social Analysis in New York City. Ironically, decisions such as the Supreme Court's *Goss v. Lopez* (1975) that make it more difficult to suspend rowdy students have forced educators to fall back on time-honored methods such as after-school detention.

In schools with reduced crime rates,

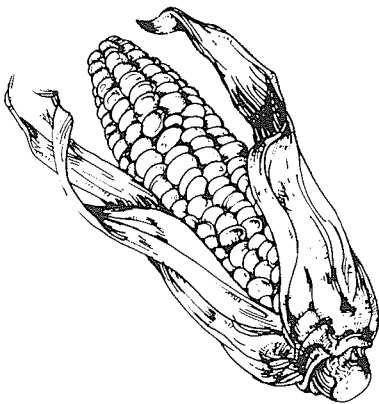
punishment is swift but fairly meted out. Rules are carefully developed and publicized. Principals tend to be highly visible and available to students and staff. The student body usually numbers fewer than 2,000; faculty morale is high, and good student-teacher relationships create the kind of "school spirit" that discourages crime and violence.

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## Farm and Food Policy Issues of the 1980s

By Don Paarlberg. Writing from years of experience near the center of agricultural power in Washington, Paarlberg focuses his considerable forecasting skills on the farm politics of the 1980s. Among the issues he examines are commodity programs,

the environmental movement, occupational safety and health, the use of land, water, and energy, the decline of the family farm and the rise of agribusiness, and international trade policy. A must for legislators, policymakers, farmers, consumers, and others with a direct stake in agricultural policy. **\$16.50**



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