Within the White House

20.1 Pierre Rinfret

Friedman attempted to both cultivate contacts and to neutralise the influence of opponents. This latter project is illustrated by his antagonistic exchanges with one of Nixon’s friends, Pierre Rinfret, an influential New York investment adviser, who had been under consideration both as a CEA member and as Treasury Secretary (Ehrlichman 1982, 258). Rinfret was sufficiently close to Nixon to be used by Burns as a messenger. According to Rinfret, in spring 1971 he was invited to have lunch with Burns so as to relay the message to Nixon that the Fed would ‘not be party to inflation’. But Nixon told Rinfret he was ‘about the hundredth person Dr Burns has asked to deliver the message’.1

At Burns’s swearing-in ceremony as Fed Chairman in January 1970, Nixon apparently informed Rinfret that ‘Friedman did not agree with your concerns’ and indicated that he would welcome a confrontation between the two. Moreover, according to Rinfret’s testimony, Burns acknowledged that he agreed with ‘most’ of his criticisms: ‘The interesting thing about that remark is that the money supply began to expand the very next week.’2 According to Rinfret, Friedman could not be found at Burns’s swearing-in ceremony – but the confrontation was merely delayed.

Nixon had repeatedly denounced controls – ‘rationing, black markets, regimentation’ – as ‘the wrong road for America’. In January 1970, Nixon indicated that he would ‘continue to avoid the use of presidential persuasion to convince business and labor to hold prices and wages down’. He stated that the ‘primary responsibility for controlling inflation rests with the national administration and its handling of fiscal and monetary affairs’. The business community had to be guided by ‘the
interests of the organisation that they represent’ and should not be controlled by guidelines and exhortation (The Washington Post 31 January 1970; Evans and Novak 1971, 185; De Marchi 1975, 299; Reeves 2001, 263). One consequence of this disavowal of Presidential responsibility for wage outcomes was the adoption of sole Presidential responsibility for inflation without having the alibi of ‘irresponsible’ labour and management.

Nixon’s apparent support for Friedman’s repudiation of the ‘social responsibility of business’ had not gone down well with some in the business community, and had led instead to the development of an ‘inflationary psychology’. This was threatening to derail the administration into a more interventionist position. Rinfret (3 July 1969) circulated a two-page memorandum to his clients accusing the new administration of entering office with ‘slogans and little else’ and in believing that ‘inflation could easily be turned off’ through monetary policy alone. In reality the administration was ‘fostering, abetting and creating inflation’ through the ‘abandonment of the wage and price guidelines, which created “open sesame” on prices and wages’. Rinfret advised his clients to raise their prices, since controlling inflation was now the responsibility of the monetary authorities (Evans and Novak 1971, 186, 189).

Friedman (1986, 86) believed he had ‘escaped [Washington] before I caught Potomac Fever’. Friedman (1972b [22 December 1969], 6) wrote about the ‘near-hysterical tones [of] the current flood of talk about inflation’. On 27 April 1970, Friedman met with Nixon and Rinfret in the Oval Office. According to Rinfret, Friedman tried to persuade Nixon that the unemployment rate would not be a factor in the forthcoming election. According to Nixon’s press officer, Friedman ‘nearly came to blows’ with Rinfret over the issue, ‘but the President asked me not to take notes of those fireworks’ (Safire 1975, 183). The following day, Nixon advised Americans to invest in the stock market (Safire 1975, 349). Galbraith (1971 [7 June 1970], 74) wrote in the New York Times Magazine that Rinfret’s advice to raise prices was a direct consequence of the decision to rule out price and wage restraint which would inevitably ‘promote inflation’. The next year, Friedman (1975 [5 July 1971], 72) ridiculed the forecasts of the ‘Ebullient Pierre Rinfret... New Economists, 0; monetarists, 3’. Presumably to in part neutralise Rinfret’s influence, Friedman sent Shultz a copy of this Newsweek column. Shultz (15 July 1971) replied: ‘Thanks for sending me a copy of your column – and for writing it. The president will see it and appreciate your generous comments, especially since everyone knows you only write what you believe.’