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FOR IMMEDIATE RELEASE

SEPTEMBER 5, 1974

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
AT THE CLOSING
OF THE
CONFERENCE ON INFLATION

THE EAST ROOM

AT 5:30 P.M. EDT

Let me reiterate my appreciation for all of you being here.

I must confess that when I first heard of the resolution that was proposed in the Senate, I was somewhat apprehensive about an undertaking of this kind. But in the first few hours of this Administration, I reanalyzed the suggestion in relationship to the economic problems that have been well displayed here. And it seemed to me, as I tried to say in the opening statement, this isn't a problem that only a President can solve. It is not a problem that only the Congress can solve and it certainly is not a problem that anyone element in our society can solve.

So, in response to the recommendation of a bipartisan effort in the Senate, I determined that it should be undertaken, that it should be in the open so the American people could see firsthand the consensus as well as the divergencies. And this was the first group and I shared the apprehension that some have expressed, that men of high academic standing and great intellect couldn't sit in a gathering such as this and give a top flight presentation of the problem and some responsible suggestion.

But I think you gentlemen and ladies have set a very high example for those meetings that shall follow. And I happen to believe that with this outstanding gathering, and the things that have been done, those that will follow will likewise be of the same caliber and high quality.

So, I thank you not only for what you have contributed, but the performance that I think has been superb.

And with those words, I think we probably ought to conclude the afternoon session and the day's labors and retire for a bit of relaxation and a reception and I cordially invite you all to come to the dining room for such a purpose.

Thank you very, very much.

END

(AT 5:32 P.M. EDT)

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
AT THE
SWEARING IN CEREMONY
OF
ALAN GREENSPAN
AS
CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS

THE CABINET ROOM

AT 5:47 P.M. EDT

This is a very, very auspicious occasion. It is my first opportunity to participate in the swearing in of a Chairman of the Council and, of course, I am pleased and honored to have the opportunity to do it with a man as outstanding as Alan Greenspan.

And it is so nice to have you here and to participate as well. If my recollection is correct, about the time I came to the Congress, our distinguished guest, who is about to be sworn in, was an accomplished clarinetist in and around New York City.

Well, he gave up that occupation at a subsequent date and became a very, very outstanding economist in the private field as well as an adviser to the Federal Government.

But now as the ninth Chairman, he has a new responsibility to try and stop playing the blues and curing the blues. (Laughter)

I was told the other day that being a clarinetist or musician in Washington was not necessarily bad. Len Garment was an accomplished musician and has done extremely well here in Washington.

Somebody mentioned to me the other day that they wondered why it took me so long to make a choice for Vice President. Well, I will make this observation and comment. I had a hard time deciding between Nelson Rockefeller and Benny Goodman. (Laughter)

I am delighted to have an opportunity to participate in this swearing in of Alan because, not only his talents are superb and his education and reputation are of the finest, but I like his approach. He is recognized as an optimist in the field of economic policy and I happen to believe that despite some of the problems we face, we have to be optimistic about what we can do about them.

MORE

And Alan Greenspan has that reputation. I believe in being an optimist and I think that attitude is helpful and beneficial as we face some of the difficult problems and hard decisions ahead.

So, Alan, I congratulate you and wish you well and it has been a pleasure to get to know you better, to have the benefit of your recommendations and I think the country is going to be far better off with your counsel and advice as we move ahead in these very difficult times.

(The oath was administered to Mr. Greenspan.)

END

(AT 5:51 P.M. EDT)

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE
PRESS CONFERENCE
OF
L. WILLIAM SEIDMAN
EXECUTIVE DIRECTOR OF THE
EXONOMIC SUMMIT CONFERENCE

THE BRIEFING ROOM

3:12 P.M. EDT

MR. HUSHEN: Ladies and gentlemen, we have L. William Siedman with us today. He is the Executive Director of the Economic Summit Conference. He will give you a brief scenario of what they have accomplished to date and then take your questions.

I think Jerry mentioned this morning that Mr. Seidman did address the Cabinet committee to explain what the summit conference was all about.

MR. SEIDMAN: Thank you.

The summit meeting, I am sure you have heard many times about, so I am not going to spend a lot of time talking about it. The general format is that there will be a series of summit meetings in various areas, and I will give those to you in a minute, which will be followed by the final summit conference on the 27th and 28th of September in Washington.

The meeting will begin on September 5, and the first meeting will involve economists from various sectors, and by that I mean labor, management and the academic world and others. And that meeting will be chaired by the President and Alan Greenspan, the new head of the Council of Economic Advisers, will the the principal man in charge of that meeting.

On September 11 there will be a meeting with various leaders in labor. That will also be chaired by the President and will be here in Washington. A number of the other meetings, which I will give you in a minute, which follow will not be in Washington. All the places are not yet set, so I will not try to guess at those at this moment, but there will be a number of them that will be outside of the Washington area.

MORE

The first of those will be on September 12 and will involve State and local Government. Each of these meetings will be chaired by a Cabinet officer and the co-part of the steering committee will be eight Representatives from the Congress. These Representatives from the Congress will be designated by the leadership to work with the Cabinet officers in conducting the meeting.

On September 13, there will be one on agriculture and food, with Secretary Butz. On September 16, transportation, chaired by Secretary Brinegar. On September 17 and 18 there will be two meetings involving business and manufacturing, chaired by Secretary Dent.

On the 18th, also there will be one on housing and construction, chaired by Secretary Lynn. On the 19th, a meeting involving health problems, education, problems of the elderly, the young and so forth, and the effect of inflation, with Secretary Weinberger, and on September 20 on banking and finance, chaired by Secretary Simon.

I do not have the assignments from the Congress yet. They are making their own assignments to these meetings, and we expect to have those in a few days.

Q Who is chairing the one on the 12th, the State and local Government?

MR. SEIDMAN: Secretary Lynn.

Q And who has health problems and inflation and the elderly?

MR. SEIDMAN: Secretary Weinberger.

Q The 13th again?

MR. SEIDMAN: The 13th, agriculture and food, Secretary Butz. I can put these up here so you can recheck if you would like.

Q Do you have locations for these?

MR. SEIDMAN: We do not have the locations as yet. We are working on them, and we expect to have them by the end of this week, and we expect the invitations to the participants to go out by the end of this week.

Q You did say that State and local Government will also be one?

MR. SEIDMAN: Yes.

MORE

Q Are all the meetings between the 12 and the 20 going to be held out of Washington?

MR. SEIDMAN: Not all of them, but some of them will be.

Q Will the meetings be open to the public?

MR. SEIDMAN: They will be open to the press. I think, because of the problems of finding a place and having an orderly meeting, it probably won't be possible to have a large group of the public. But they will be open to the press except for the planning meeting in which they will plan how they are going to conduct the meeting.

Q Mr. Seidman, many very well known expert economists have sharply different views on how to handle the economy. Some favor tax cuts, other tax increases, other a return to mandatory wage and price controls.

Is it realistic to expect this conference to be able to come up with any type of consensus?

MR. SEIDMAN: I don't think a broad consensus in a question as difficult as this is likely. I think there will be areas where there will be some substantial consensus, but that is what the conference is for, is to explore with the best brains in this country their thoughts on what should be done with our number one problem.

This is a worldwide problem. Obviously there is not an easy and quick solution or somebody would have had it a long time ago. This is a method jointly with the Congress and the Executive Branch to get the best information we can in this country to help in setting the program against inflation.

Q Are you prepared to assure somebody like Greenspan whose place in the economic spectrum is very well known, is going to get a representative sampling of economic opinion from left, center and right?

MR. SEIDMAN: I have looked at the list of economists that he is proposing for this meeting and I believe I can assure you that it will be a broad-gauged group of recognized leaders in all sections of the world of economists.

Q The final meeting you plan a plenary meeting in which decisions will be merging?

MR. SEIDMAN: No, I don't think that that is really a feasible way to go at this. I think we will have the views of the various people who have been involved. We will look for where there is consensus, we will look for where there are differences, where basic decisions have to be made.

Q Who will be participating in that final meeting?

MR. SEIDMAN: All of the people who have been to the preliminary meetings will be invited to the final meeting. However, they will have spokesmen for their areas since it obviously will not be possible to have them all speak in the meeting.

Q Are you going to hear from consumer groups, the poor, any input like that?

MR. SEIDMAN: We expect consumer groups to be represented in many of the meetings. I would like to say a word about the meetings. They are not going to be just farmers in the farm meeting. It is going to be the food industry, all the people who are concerned in this very big problem of rise of food costs, and it will involve, we will expect, the unions that are involved in that area, the consumers that are involved in that area, and others who are part of this area of our economy.

Q Have the economists told you whether you can wait until the end of September to get moving on this?

MR. SEIDMAN: Well, to the extent that the President sees things that need to be done, he is going forward with them. You have already seen that in our new monitoring agency and in some of his statements with respect to what he thinks the Federal expenditures should be for the current year, under \$300 billion, and anything else that he believes needs action before that time will be taken.

Q Mr. Seidman, can you tell us who the head of the new monitoring agency will be, and a little bit about its scope? How do you expect it to go in holding public hearings and using moral suasion?

MR. SEIDMAN: No, I can't tell you. I don't know.

Q Will you be the new head of the Cost of Living Council?

MR. SEIDMAN: I do not expect to be.

Q In a briefing this morning, the Press Secretary said in his words that President Ford should not be expected to achieve a miracle. Are you trying to say right now that he is not going to be able to cope with this?

MORE

MR. SEIDMAN: Dealing with the economy is a very difficult question. I don't think anybody is expecting a miracle at this point. And all we are saying, particularly with respect to this conference, it is not supposed to nor do we expect it to create a miracle.

We do think it will be a substantive effort to get at a very difficult problem in which all of us are together, and all of us need to be involved.

Q Could you tell us something about the shape of this final summit? You say invitations have gone out to all participants. Does this mean there will be several hundred people there; that there will be just set statements and no debates, or no indication from the Administration by that time which views it favors and which views it doesn't favor?

MR. SEIDMAN: We are still studying that and I will have comments on that later, but I don't at this time.

Q Will there be reports from each of these meetings relayed to the final meeting?

MR. SEIDMAN: Yes, that much we do have set.

Q Someone interested in the housing industry, for example, say a buyer of a house or a construction worker would get his input into one of these meetings, how would we do it?

MR. SEIDMAN: Everyone in these meetings will be representing obviously vast numbers of people. The construction worker will be represented presumably by his union that will be there. The consumer groups will be represented.

Q You are inviting them?

MR. SEIDMAN: We are inviting various people from these various sectors to the meetings, that is correct.

Q How active a role do you expect the President to play and when there is a final package, will he make the last decision on what he proposes?

MR. SEIDMAN: Well, I think the President certainly will be making his decisions on the direction that he thinks we ought to proceed in fighting inflation. And this conference will be a part of helping him in this very difficult area.

MORE

Q How much of a role does he play? Will he be presiding?

MR. SEIDMAN: He is going to be attending the summit conference for a substantial part of the time that it is going on. He will be attending some of these preliminary meetings and as his schedule allows, may attend one or two others.

Q Let me try the same question again that has been put to you. Do you expect the summit at its conclusion to offer up a series of recommendations or shall we look for decisions that will be followed through?

MR. SEIDMAN: No, I don't think the summit is designed to be a decision-making apparatus. It is designed to give to the President and to the people of the country the best thinking that we can assemble from all sectors on what we should do about our problem in the economy and inflation.

MORE

Q Any particular reason why the President rather than Secretary Brennan will chair the labor meeting?

MR. SEIDMAN: Well, I think the labor meeting is one meeting, as you can see, and we couldn't get business all into one meeting, obviously, because of the many sectors.

Q You have spoken of the worldwide inflation and it is an international problem, but you have no meeting to tackle that aspect of the problem.

MR. SEIDMAN: We are asking all of the participants to come prepared to answer a series of questions which deal with these fundamentals and as well as specific things in their areas. One of those questions is the international area. We expect the economists and others who are dealing in that area to give us their suggestions in that area.

Q Picking up the other question, it is not a decision-making process but the best thinking that could be presented to the President and the Congress. How long after that series of recommendations are put to the President and the Congress should we look for some decisions?

MR. SEIDMAN: That is up to the President. I can't give you an answer.

Q Is this designed more to educate the public on the problems of inflation as opposed to a decision-making function?

MR. SEIDMAN: I wouldn't put it quite that way. I say I think it is basically to get the best people in this country who are involved in all these various areas of our economy to bring to one place their views of what we should do about the problem that we have in inflation.

Q Mr. Seidman, the West German Chancellor said the other day that the United States ought not to take any deflationary actions without consulting our allies and our trading partners. What mechanism do you have here for doing that kind of consultation?

MR. SEIDMAN: Well, the State Department is fully informed of what we are doing, and I am sure they will be in contact with the appropriate people.

Q Mr. Seidman, is the President prepared to be openminded about this? For example, if he hears persuasive arguments for a different kind of monetary and fiscal policy, is he open to changing his own thoughts?

MORE

MR. SEIDMAN: You really would have to talk to the President about that, but certainly the objective is to get before everyone, the Congress, the President and the people, any new ideas that need to be explored in connection with this very serious problem.

Q Is wage price controls a dead issue as far as this summit? The President says he is unalterably opposed to it, that he won't alter his position.

MR. SEIDMAN: The people who come to this summit are people of stature, who have opinions, and I expect they will discuss their opinions in that regard.

Q But he would only take it with a grain of salt?

MR. SEIDMAN: I think those people with their stature will be listened to.

Q Is there any way for anyone who is not on your list of invitees to get his or her opinions directly before these sub-summit meetings, through presenting their testimony or appearing?

MR. SEIDMAN: Yes, we will have a means for them to submit their testimony or their suggestions in writing to the committees. Obviously, it is impossible to have everybody, but we will have a means of getting those suggestions and reviewing them.

Q In all, how many people do you expect to invite to the series of meetings and the summit? Do you have a number?

MR. SEIDMAN: It is not set yet, but it will be somewhere in the area of 600 or 700, I would say, before we get done.

Q In view of the fact that the final summit meeting takes place the day before the International Monetary Fund's annual meeting, will a lot of foreign finance ministers also be invited to the summit or will their views be solicited at that meeting, seeing as they will be in Washington anyhow?

MR. SEIDMAN: I am sure if they would like to come to the meeting they will have an opportunity to see it.

Q Where physically is the economic summit itself going to be held?

MR. SEIDMAN: That has not been set yet.

MORE

Q Will it be in Washington?

MR. SEIDMAN: It will be in Washington, yes.

Q Who will attend the final, the actual summit?

MR. SEIDMAN: The people who have attended the preliminary meetings.

Q You mean all these groups will come together?

MR. SEIDMAN: They will be there, but they will have spokesmen for each of these groups, since obviously all 600 or 700 can't speak.

Q Mr. Seidman, since you are encouraging news coverage, including television, these are going to have a definite public opinion factor; therefore, will the Administration make sure that spokesmen of its own views are part of the program so that you get advantage of any of this public opinion?

MR. SEIDMAN: I think all opinions will have an opportunity to be expressed at the summit within the limitations of time available.

Q But the question is, is the Administration putting together its own team to present essentially an Administration position at these meetings?

MR. SEIDMAN: There will be Administration spokesmen there, and to the extent they think it is desirable, they will be expressing their opinions.

Q Are you worried about the fact that some people, including those who deal in the stock market, will say of this whole arrangement that the President doesn't know what to do about the economy and is sort of floundering around expecting a lot of other people to come up with answers and what does that do to the confidence factor?

MR. SEIDMAN: Well, I think we are always worried about what the people are saying, but I think this is one of our gravest problems. I think it is clear that there is no simple and easy answer. There is controversy among well-informed people, and I should think the people would take confidence in the fact that we are making a real effort to get the best people in this country to put their ideas forward and that we are going to move with all due speed with that as a background.

MORE

Q You say it is one of our gravest problems. Do you think we are risking here either a serious recession or even a depression?

MR. SEIDMAN: Well, I am not going to really comment on the economic situation. That is not my role.

Q Other than to say it was our gravest problem?

MR. SEIDMAN: I think yes, without a question it is a very serious problem. I don't have any doubts about that.

Q Is there a danger here of building up great expectations that you will not be able to fill afterwards? A long series of meetings each out in the public forum and then you have to come up with decisions afterward. Are you worried about the problem of --

MR. SEIDMAN: I think there is always a risk in having a session of this type. We think the risk is worth taking to get the best people involved, getting the Congress and the Executive branch in a true effort to find the best course to go.

Q Mr. Seidman, on goal number five, it is to define hardship areas and decide what immediate action should be taken. Are there any hardship areas that need action before September 28?

MR. SEIDMAN: There may well be. We are studying some of those now. Housing is certainly one that is a key area, and is being studied now, and it may be some things will need to be done before the summit.

Q Will Mr. Ralph Nadar be invited?

MR. SEIDMAN: I don't know particularly, but certainly the consumer group will be represented.

THE PRESS: Thank you, sir.

END (AT 3:31 P.M. EDT)

FOR CORRESPONDENTS' USE AND INFORMATION

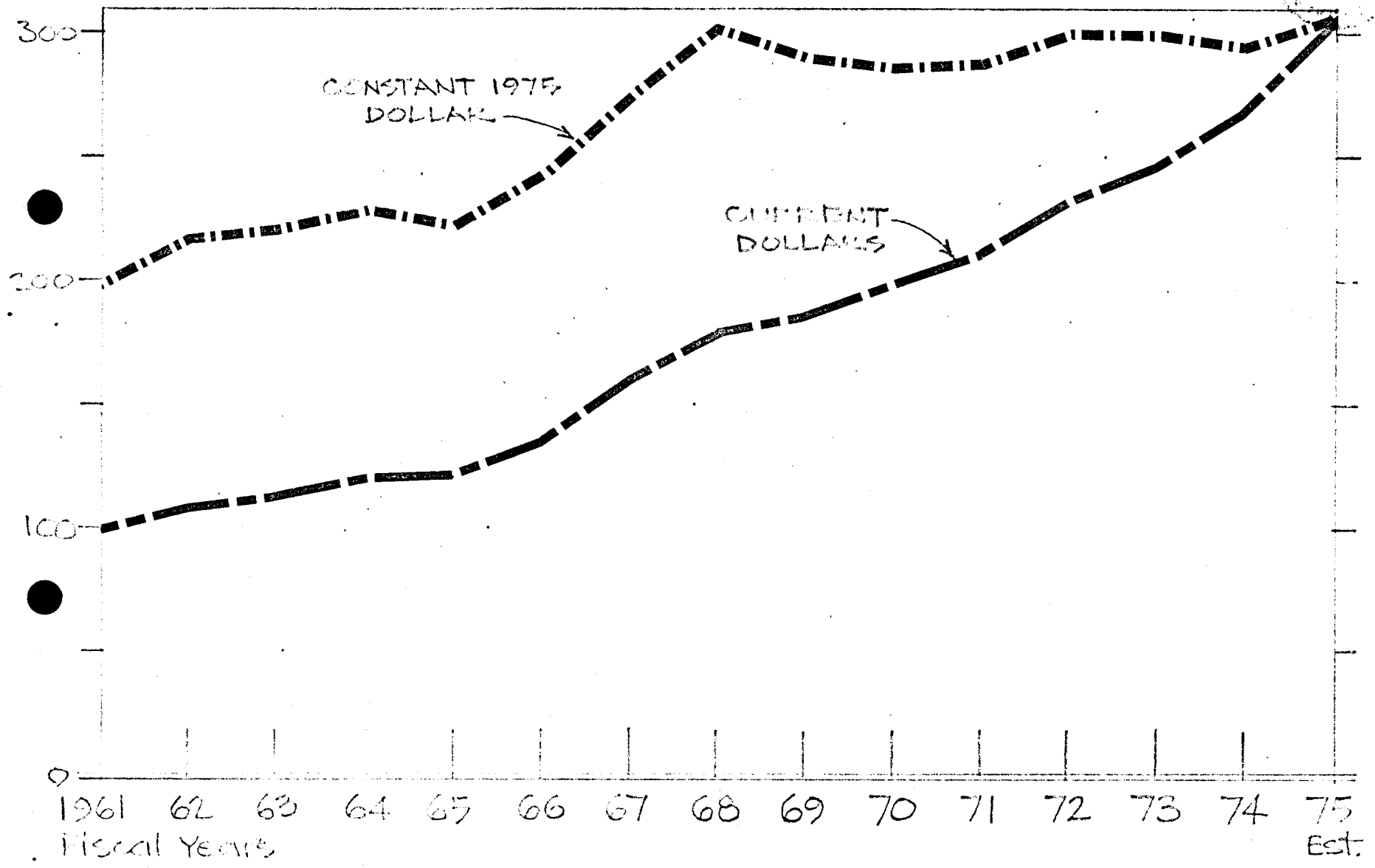
The attached will help you follow Mr. Ash's discussion during the September 5, 1974, morning session of the meeting of the economists.

THE EAST ROOM

Thursday, September 5, 1974

FEDERAL BUDGET OUTLAYS 1961-75

\$ Billions



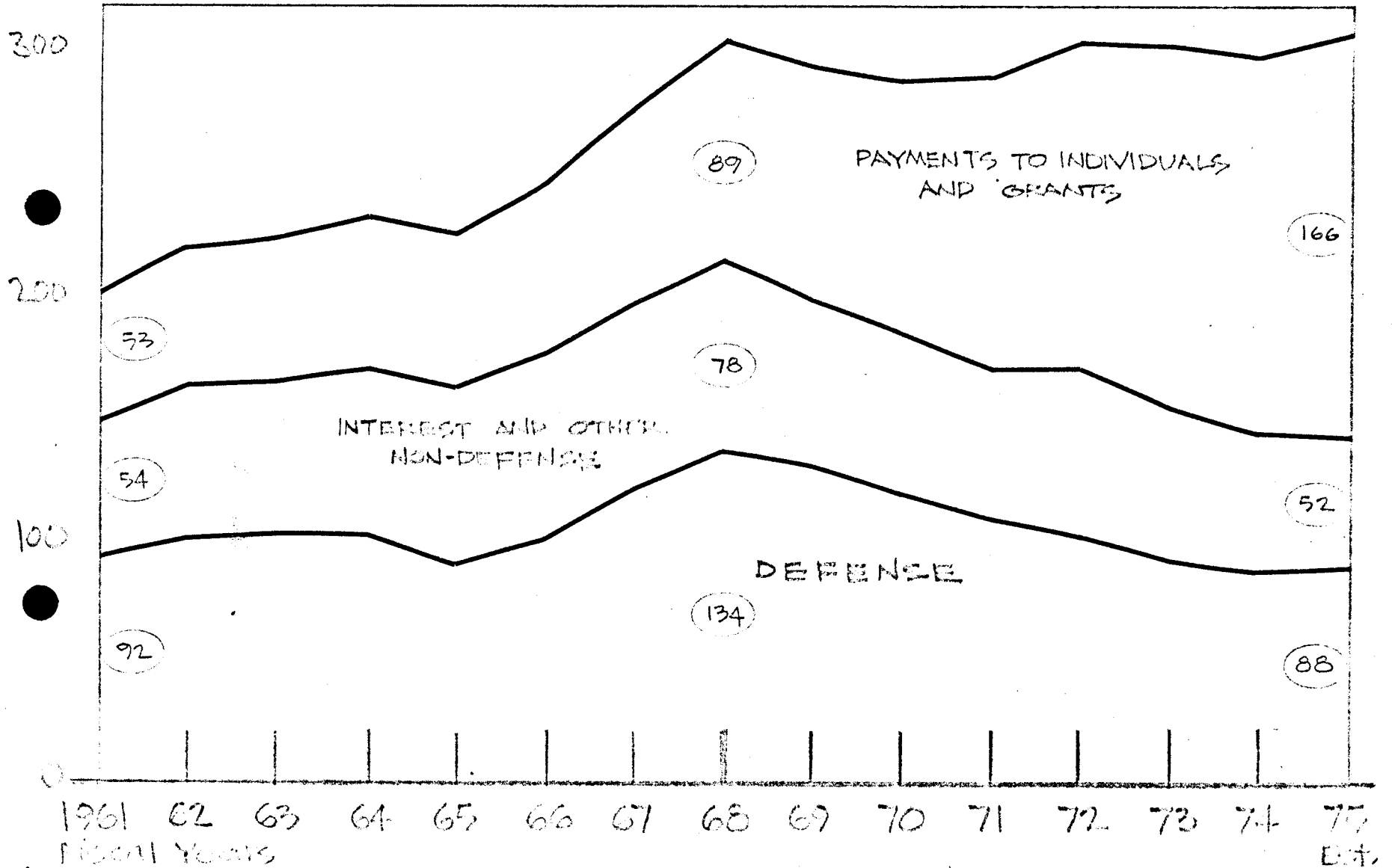
FEDERAL OUTLAYS AS A PERCENT OF GNP

Percent



COMPOSITION OF REAL FEDERAL OUTLAYS - (CONSTANT 1975 DOLLARS)

\$Billions



FY 1975 BUDGET - COMPOSITION OF OUTLAYS

(IN BILLIONS OF DOLLARS)

MANDATORY SPENDING

CONTRACTUAL OBLIGATIONS:

NET INTEREST.....		23.0
HOUSING SUBSIDIES AND INSURANCE, FARM SUPPORTS, ETC.....		5.8
OTHER PRIOR-YEAR OBLIGATIONS:.....		53.1
DEFENSE.....	(23.0)	
NONDEFENSE.....	(30.1)	
SUBTOTAL, CONTRACTUAL OBLIGATIONS.....		<u>81.9</u>
ENTITLEMENT PROGRAMS.....		142.1
LEGISLATIVE AND JUDICIARY.....		<u>1.1</u>
TOTAL, MANDATORY SPENDING.....		225.1

DISCRETIONARY SPENDING

DEFENSE:.....		57.1
PERSONNEL.....	(37.0)	
ALL OTHER.....	(20.1)	
NONDEFENSE:.....		35.1
PERSONNEL.....	(20.0)	
ALL OTHER.....	(15.1)	
TOTAL, DISCRETIONARY SPENDING.....		<u>92.2</u>
OFFSETS (OFFSHORE OILLAND RECEIPTS AND CONTRIBUTIONS TO EMPLOYEE RETIREMENT FUND).....		<u>-11.8</u>
<u>TOTAL</u>		305.4

DISCRETIONARY NON-DEFENSE OUTLAYS
(Excluding Personnel Costs)

<u>Program</u>	<u>1975 Outlays (\$ billions)</u>
Health (largely research and training).....	2.2
NASA research and development.....	1.5
Foreign aid (largely P. L. 480 and Indochina reconstruction).....	1.3
Atomic energy.....	1.2
Child nutrition program.....	1.2
Education programs.....	1.1
Comprehensive manpower assistance.....	0.9
Extended unemployment benefits (proposed legislation).....	0.8
Veterans medical care.....	0.8
Federal aid highways.....	0.7
Housing and Community Development Act.....	0.6
Coast Guard operating expenses.....	0.5
Corps of Engineers and reclamation construction.....	0.5
Department of Justice.....	0.4
Payments and loans to the District of Columbia.....	0.4
All other.....	<u>1.0</u>
Total, discretionary non-defense outlays.....	<u><u>15.1</u></u>

12

ENTITLEMENT PROGRAMS, FISCAL YEAR 1975

	<u>Outlays</u> (\$ billions)	<u>Beneficiaries</u> ^{1/} (millions)
<u>Benefit payments for individuals:</u>		
Direct Federal:		
Social Security (OASDI) and railroad retirement.....	65.1	32.1
Civil Service and military retirement.....	13.1	2.3
Medicare.....	14.2	12.2
Veterans benefits.....	10.1	7.3
Supplemental security income.....	4.8	5.0
Food Stamps.....	4.0	15.8
Disabled coal miners.....	.9	.5
Grants to States:		
Public assistance (AFDC).....	4.6	11.5
Rehabilitation and social services.....	3.1	10.0
Medicaid.....	6.3	28.6
Unemployment insurance.....	8.3	1.9 ^{2/}
Subtotal, payments for individuals.....	134.4	
Other:		
General Revenue Sharing.....	6.2	
Postal Service.....	1.6	
Legislative and judiciary.....	1.1	
Subtotal, other.....	8.8	
<u>Total</u>	143.2	

^{1/} Substantial overlap between programs.

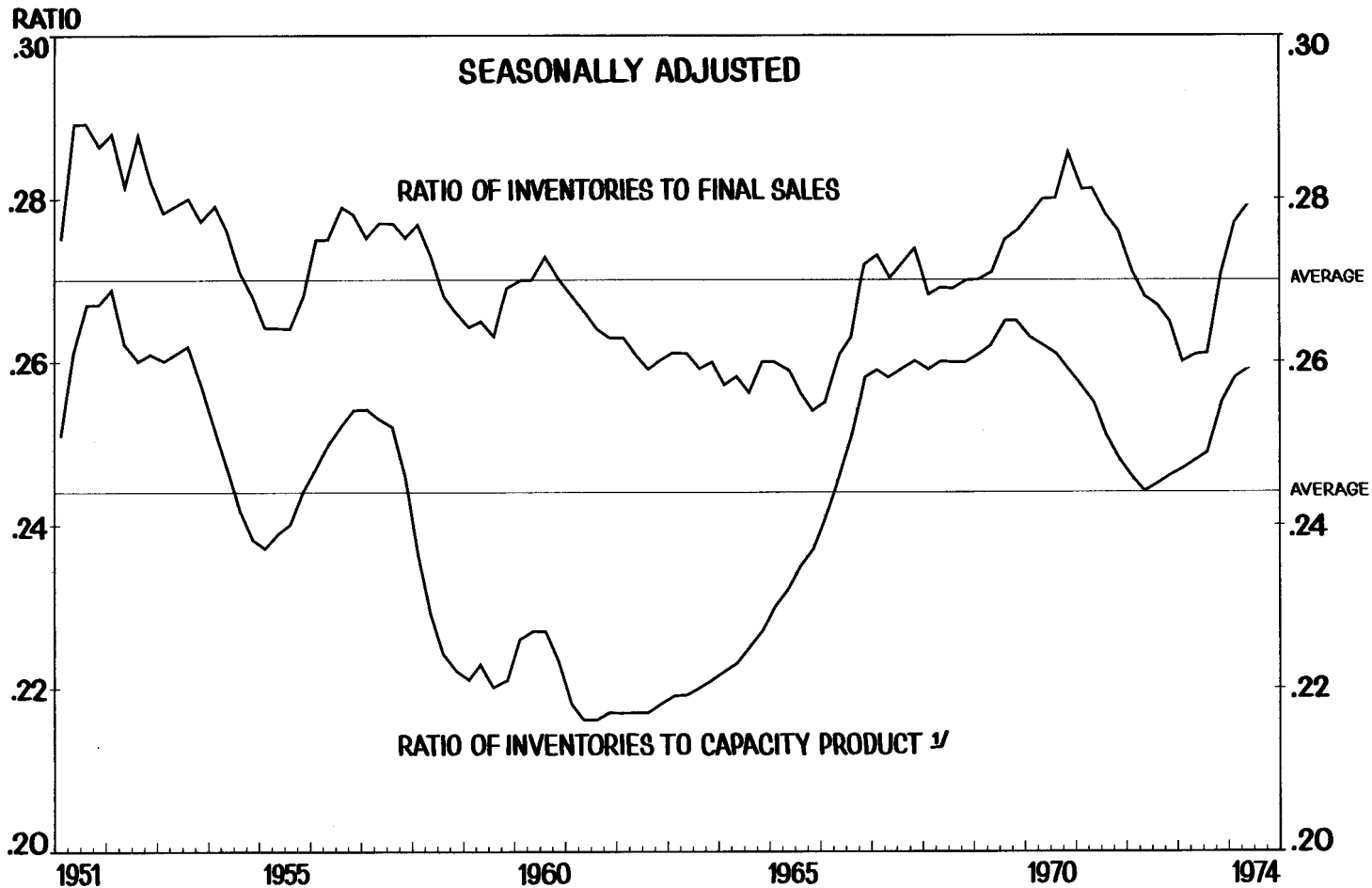
^{2/} Average number of beneficiaries per week.

AD HOC STEERING COMMITTEE OF ECONOMISTS

Otto Eckstein
Alan Greenspan
Walter Heller
Paul McCracken
Arthur Okun
George Shultz

#

RATIO OF NONFARM INVENTORIES IN 1958 DOLLARS TO SELECTED MEASURES OF NONFARM BUSINESS SECTOR PRODUCT IN 1958 DOLLARS

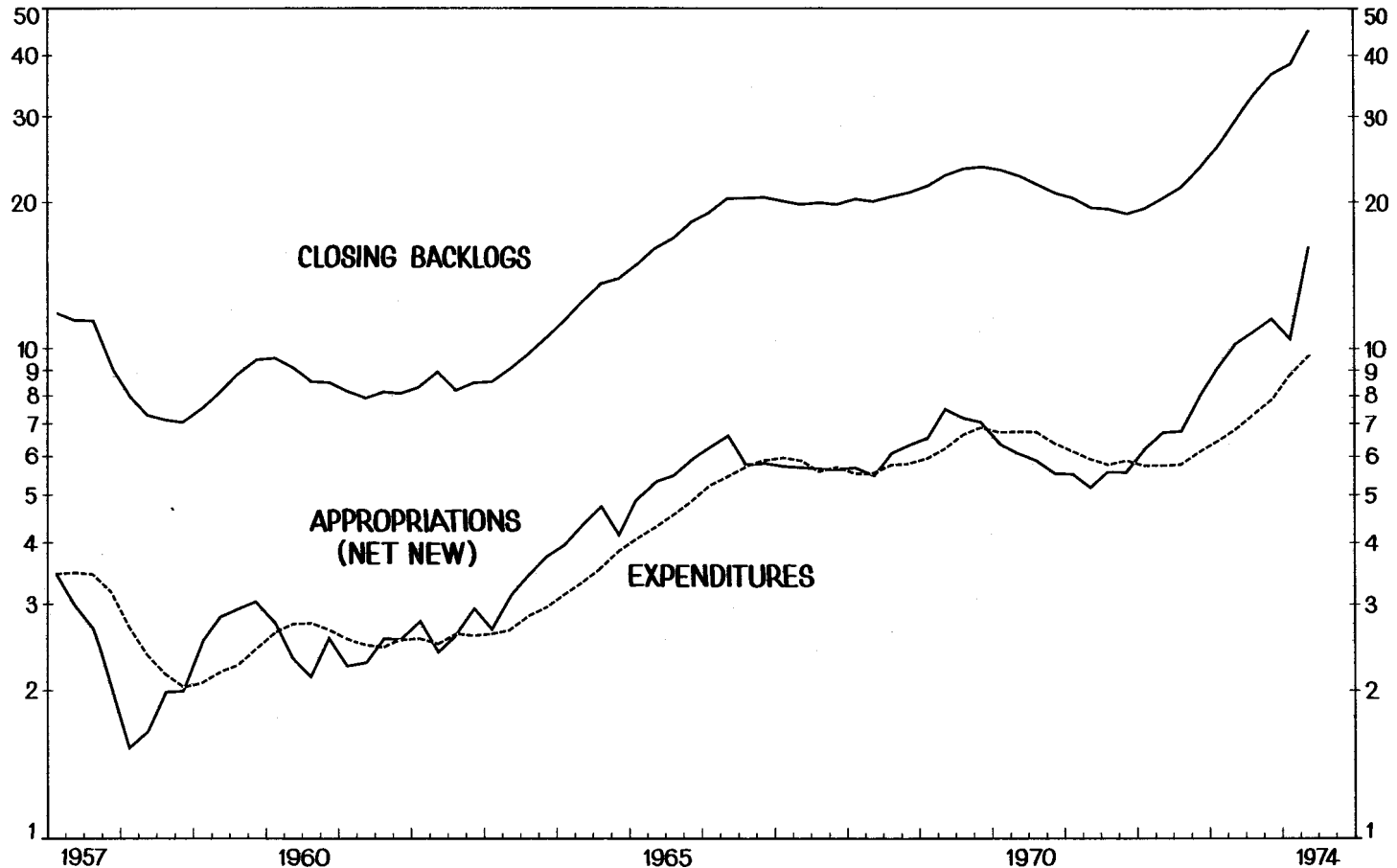


^{1/} BASED ON 8 QUARTER SMOOTHED MOVING AVERAGE CAPACITY PRODUCT SERIES.
THE UNDERLYING CAPACITY SERIES IS NONFARM BUSINESS OUTPUT IN 1958 DOLLARS DIVIDED BY
WHARTON MM & U UTILIZATION RATE.

SOURCES: DEPARTMENT OF COMMERCE, WHARTON EFA, AND COUNCIL OF ECONOMIC ADVISERS.

MANUFACTURING CAPITAL APPROPRIATIONS, EXPENDITURES, AND BACKLOGS

BILLIONS OF DOLLARS (RATIO SCALE)*

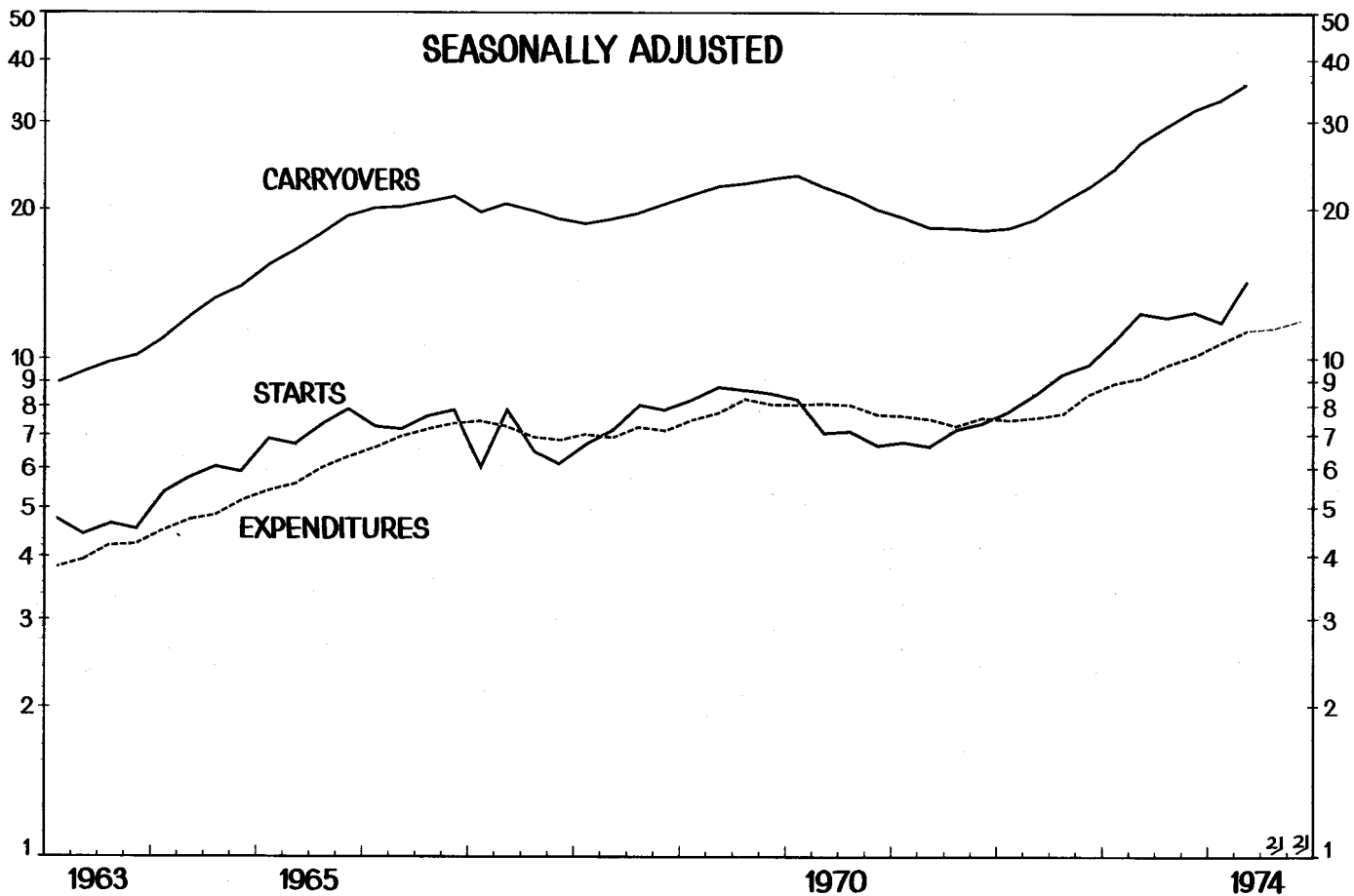


* SEASONALLY ADJUSTED QUARTERLY RATES.

SOURCE: THE CONFERENCE BOARD.

MANUFACTURING PLANT AND EQUIPMENT STARTS, EXPENDITURES, AND CARRYOVERS

BILLIONS OF DOLLARS (RATIO SCALE)^{1/}



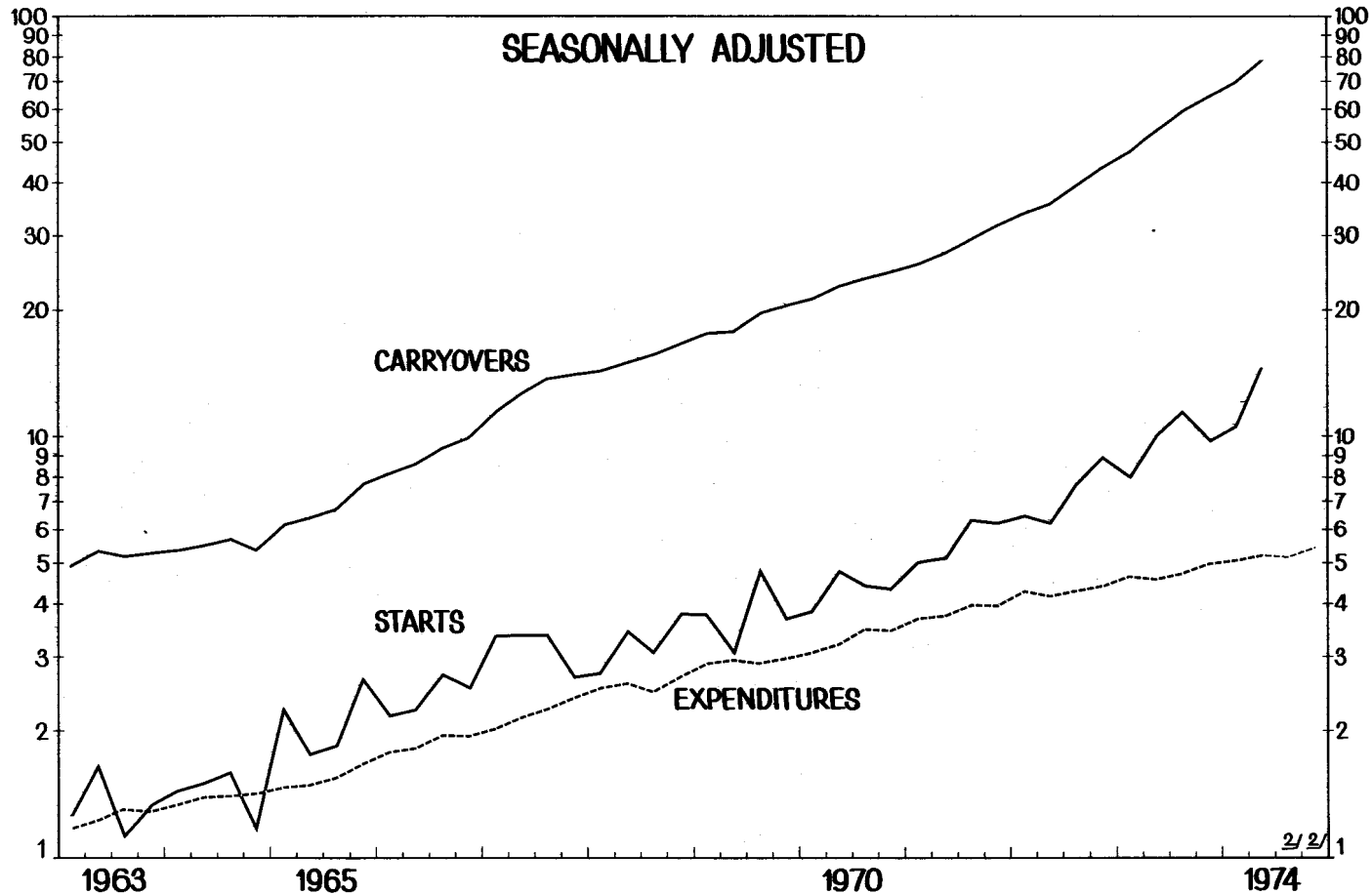
^{1/} QUARTERLY RATES.

^{2/} PLANNED EXPENDITURES.

SOURCE: DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS.

PUBLIC UTILITIES PLANT AND EQUIPMENT STARTS, EXPENDITURES, AND CARRYOVERS

BILLIONS OF DOLLARS (RATIO SCALE)^{1/}

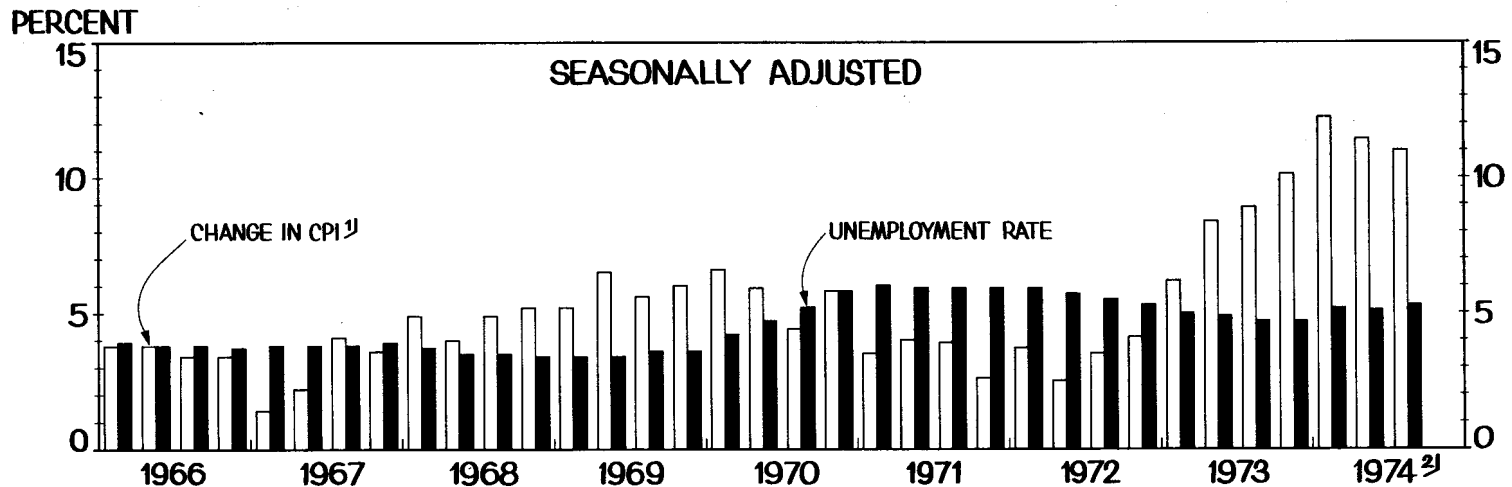
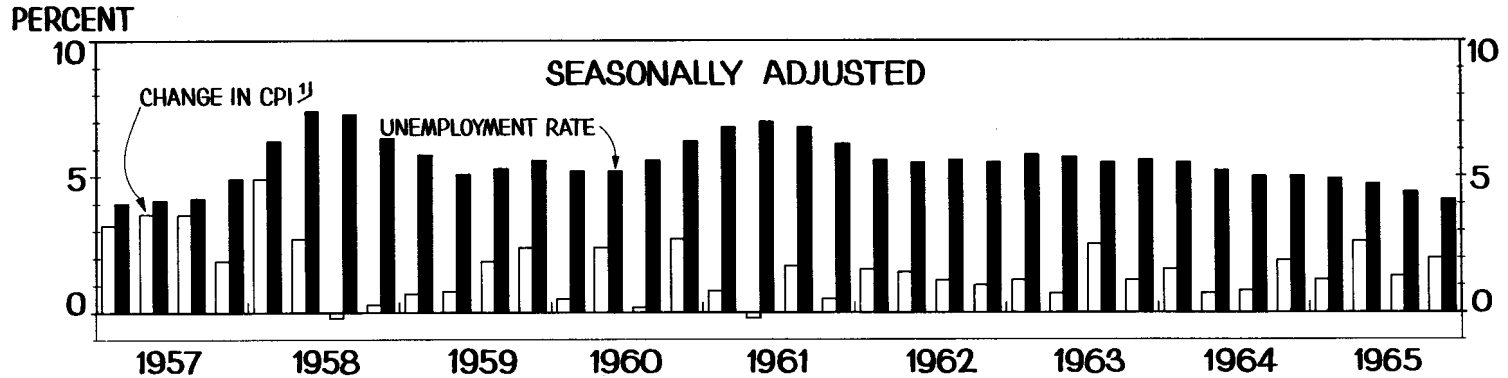


^{1/} QUARTERLY RATES.

^{2/} PLANNED EXPENDITURES.

SOURCE: DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS.

INFLATION AND UNEMPLOYMENT RATES



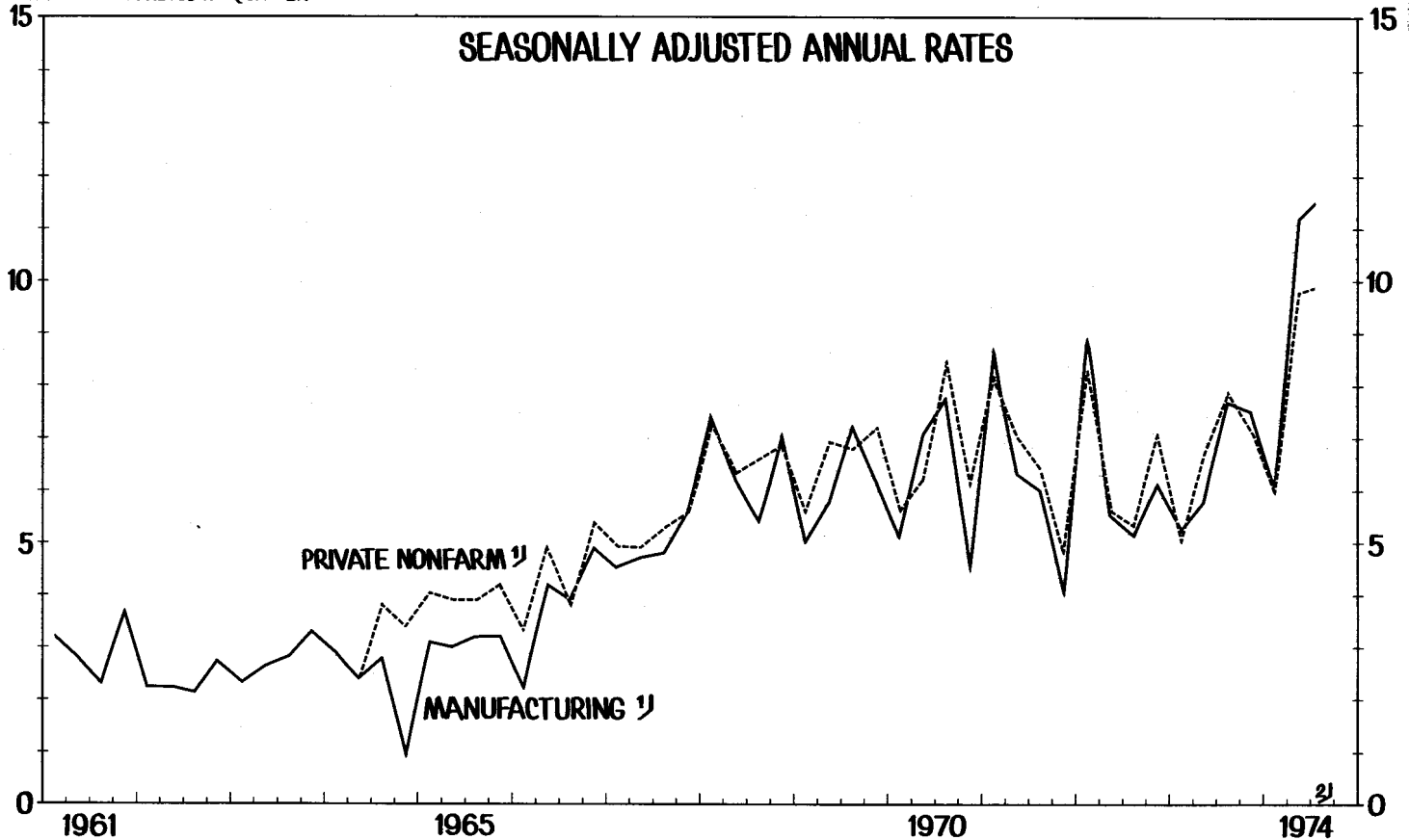
¹⁾ CHANGE FROM PRECEDING QUARTER AT AN ANNUAL RATE.

²⁾ UNEMPLOYMENT RATE FOR JULY AND CHANGE IN CPI FROM SECOND QUARTER TO JULY.

SOURCE: DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS.

CHANGES IN PRIVATE NONFARM AND MANUFACTURING HOURLY WAGE RATES

PERCENT CHANGE FROM PRECEDING QUARTER



¹ AVERAGE HOURLY EARNINGS ADJUSTED FOR OVERTIME (IN MANUFACTURING ONLY) AND FOR INTERINDUSTRY EMPLOYMENT SHIFTS.

² CHANGE FROM SECOND QUARTER TO JULY.

SOURCE: DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS.

SCHEDULE
ECONOMISTS MEETING ON INFLATION
SEPTEMBER 5, 1974
WHITE HOUSE
EAST ROOM

- 8:45 - 9:15 AM All Economists arrive The White House S. W. Entrance, and proceed to the East Room
- 9:16 AM All Guests and Economists in place and seated in the East Room
- 9:27 AM The President departs the Oval Office enroute to the East Room
- 9:30 AM The President arrives in the East Room, and proceeds to the head table
- 9:31 AM The President calls the meeting to order and explains his views on the meeting and the outcome.
- 9:46 AM Mr. Alan Greenspan gives his outlook of the Economy
- 9:56 AM Mr. Otto Eckstein, Harvard Univ., gives his views of the Economy
- 10:06 AM Mr. Beryl Sprinkel, Harris Trust & Savings Bank, gives his views of the Economy
- 10:16 AM Mr. Walter Hoadley, Bank of America, gives his views of the Economy
- 10:26 AM Mr. David Grove, IBM Corp., gives his views of the Economy
- 10:36 AM The President calls for a 15 minute recess

(COFFEE BREAK -- In the Lobby)

SCHEDULE
PAGE TWO

10:51 AM Mr. Greenspan calls the meeting to order and gives organizational remarks

11:15 AM Series of three minute statements by other participants in the meeting

12:25 PM Break for Lunch

12:30 PM Lunch -- The State Dining Room
(Meeting of Steering Subcommittee Group enroute to State Dining Room)

1:45 PM Resume -- Mr. Greenspan calls to order

1:46 PM Mr. Ash -- the budget situation

2:00 PM Mr. Greenspan -- Discussion and formulation of summary statements to the President

4:27 PM The President departs his office enroute the East Room

4:30 PM The President arrives the East Room and takes his place at the head table

4:31 PM Mr. Greenspan turns the meeting over to the President

(A series of summary presentations by selected economists)

5:20 PM The President concludes the Economists Meeting on Inflation

5:30 PM The President departs enroute Residence

5:31 PM All participants depart enroute State Dining Room for reception

5:33 PM Arrive State Dining Room

6:16-6:30 PM Economists reception break-up and depart

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B
L
E

Arnold Weber

Nancy Teeters

Richard Cooper

Otto Eckstein

Kenneth Galbraith

Nat Goldfinger

Kermit Gordon

Jackson Grayson

David Grove

Milton Friedman

Walter Heller

Paul Samuelson

Hendrik Houthakker

Paul McCracken

Carl Madden

George Shultz

Walter Hoadley

Marina Whitman

Arthur Okun

Robert Nathan

Herb Stein

Harold Carter

Walter Levy

Andrew Brimmer

Secy. Brinegar

Secy. Dent

Roy Ash

Kenneth Rush

Senator Bentsen

Senator Dominick

Senator Tower

Senator Proxmire

Alan Greenspan

PRESIDENT FORD

Cong. Rhodes

Cong. Patman

Cong. McFall

Cong. Conable

Secy. Simon

Arthur Burns

William Fellner

Gary Seevers

William Seidman

Norma Pace

A.G. Matamoros

Beryl Sprinkel

Thomas Moore

EAST ROOM

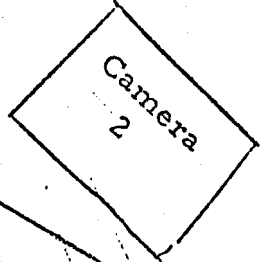
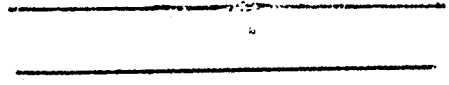
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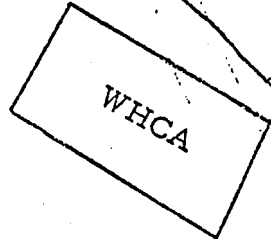
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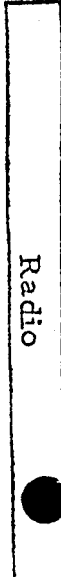
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Radio

30 Seated Guests

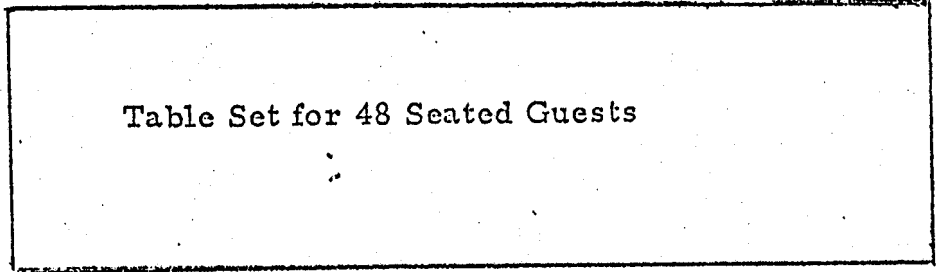
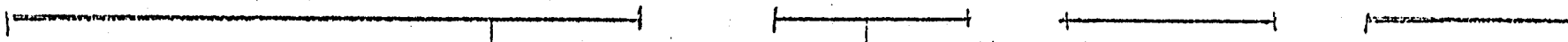


Table Set for 48 Seated Guests

30 Seated Guests

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3



ROW 3 S	ROW 2 S	ROW 1 S	H A L L	ROW 1 N	ROW 2 N	ROW 3 N
Robert Weintraub	Barry Chiswick	John Davis		Bob Miller	Dick Krolik	White House Staff
Frank Bennett	Joseph Kvasnicka	Murray Foss		Ed Feidler		White House Staff
Howard Beasley	Francis James	Joel Popkin				White House Staff
Robert Bohan	Dennis Wood	George Von Furstinberg		White House Staff		White House Staff
Howard Schuman	John Brodman	Senator Bartlett		White House Staff		White House Staff
Dennis Taylor	Tim Barnkle	Senator Childs		White House Staff		
Irving Sprague	John Stark	Senator Dominici		White House Staff		
George Bushell	Courtney Slater	Senator Huddleston		White House Staff		
Paul Nelson	Jerry Jasinouski	Senator Nunn				

AUGUST 29, 1974

Office of the White House Press Secretary

NOTICE TO THE PRESS

The President has invited the following people to the summit meeting of economists on September 5, 1974:

Professor Andrew Brimmer
Graduate School of Business
Harvard University
Cambridge, Mass.

Professor Harold Carter
Department of Agricultural Economics
University of California at Davis

Professor Otto Eckstein
Department of Economics
Harvard University

Professor Milton Friedman
Department of Economics
University of Chicago

Professor J. Kenneth Galbraith
Department of Economics
Harvard University

Dean C. Jackson Grayson
School of Business Administration
Southern Methodist University

Dr. David L. Grove
IBM Corporation

Professor Walter Heller
Department of Economics
University of Minnesota

- MORE -

Mr. Walter Hoadley
Executive Vice President and Chief Economists
Bank of America, N. T. & S. A.

Mr. Walter J. Levy
Independent Petroleum Consultant
New York, New York

Mr. Carl Madden
Chief Economist
U. S. Chamber of Commerce

Mr. A. G. Matamoros
Armstrong Cork Company

Professor Paul W. McCracken
Graduate School of Business Administration
University of Michigan

Dr. Arthur M. Okun
The Brookings Institution

Mrs. Norma Pace
Chief Economist
American Paper Institute

Professor Paul A. Samuelson
Department of Economics
Massachusetts Institute of Technology

Professor George P. Shultz
The Bechtel Corporation

Mr. Beryl Sprinkel
Executive Vice President and Economist
Harris Trust and Savings Bank

Professor Herbert Stein
Economics Department
University of Virginia

Mrs. Nancy Teeters
Senior Specialist
Economics Division
Congressional Research Service
Library of Congress
Washington, D. C.

Dr. Arnold Weber, Provost
Carnegie Mellon University
Pittsburgh, Pennsylvania

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OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
AT THE
OPENING OF THE
CONFERENCE ON INFLATION

THE EAST ROOM

AT 9:32 A.M. EDT

Good morning. It is a pleasure to be here with the distinguished Members of the Congress, both Democrat and Republican, and the very eminent group of economists and guests.

I look forward to a very beneficial and fruitful meeting this morning. This meeting marks the start of our national Conference on Inflation. I have called this series of working conferences in response to a bipartisan recommendation by the United States Senate and with the cooperation of concerned citizens representing all elements of our American society.

Our purpose is to find ways by which we, the American people, can come to grips with our economic difficulties and surmount them.

This has been called a summit conference. Maybe that title is a bit misleading. Recent summit conferences have been held between leaders of international adversaries with the hope of reducing their differences. Around this table there are no adversaries. We come together as allies to draw upon, or to draw up, I should say, a battle plan against a common enemy, inflation. Inflation is our domestic enemy No. 1.

Battle strategies are usually devised in secret. At my insistence this is a typically American open meeting. Some skeptics have warned me that putting 28 of our most distinguished economists and eight Members of Congress, both Democratic and Republican, on public display with live microphones would produce a spectacle something like professional wrestlers playing ice hockey. (Laughter) But I am ready to referee this opening match.

It is not widely known, but I started out in college very much attracted to economics. Later I switched to the law, probably because the legal profession seemed a better path to success in politics.

Having come this far, I can see why no economist would ever dream of wanting to be President.

MORE

But if we succeed in the job cut out for us, I can promise you there will be statues of each of you in every city park throughout the United States. Economics will never again be called a dismal science, nor will politicians, if we succeed, even dare again to hide behind the old alibi that the people just don't understand economics. The people understand economics very, very well and they are sick and tired of having politics played with their pocketbooks.

This Conference on Inflation is a joint enterprise of the Legislative and Executive branches of our Government which can become a monument to politics in the very best sense of the word. It unites Republicans and Independents and Democrats in an election year against a deadly enemy that doesn't recognize one political party from another.

The President cannot lick inflation. The Congress cannot lick inflation. Business, labor, agriculture and other segments of America cannot lick inflation. Separately we can only make it worse, but together we can beat it to its knees.

These meetings are not going to be empty exercises in economic rhetoric, neither are they going to reveal any quick miracles. There is no quick fix for what ails our economy. I for one refuse to believe that the very best brains in America and the ~~smartest~~, hardest working workers in the world cannot find a workable way to get the productive machinery of this great country back on the track and going full speed ahead.

Let me say, or set out, if I might, a few ground rules at the outset. We can't waste time stating and restating the problems. The problems are obvious, painful and perplexing.

What we want are some right answers, not a long list of the alternative answers, theoretical and hypothetical, good and bad. We need to have attainable answers sharply defined and carefully sorted out with the pluses and the minuses of each clearly stated.

We are looking for action that is practical, possible and as rapid in its effect as we can reasonably expect.

I don't have to tell all of you experts that there are many answers, most of which have been tried at some historic time. But before this conference ends, I would like to see and to have set before the American people a consistent and considered package of the most promising answers that you can find, some of which, or all of which will restore economic stability and sustain economic growth in these United States.

MORE

If our country is economically healthy, the whole world will be economically healthier. Inflation is a world-wide epidemic and we will quarantine it in collaboration with our friends abroad.

As you test your answers against the hard rock of economic law, as you discard beguiling instant cures for reliable remedies, as you try to treat the cause rather than the symptom, I ask you to bear in mind that no solution will work without a lot of willpower and individual sacrifice. America has plenty of both -- a capacity for both.

Sacrifice is easy to ask of others. It is harder to demand of ourselves. Burdens never fall equally on everybody's shoulders, but we must seek to share them as widely as the prosperity we hope will follow. The burdens of battle against inflation will be lighter if every American, all 210 million of us, lends a hand.

There will be ten more specialized meetings over the next few weeks culminating in a final two-day session on September 27 and 28. When we are done, there will be some things we can agree on.

I hope these areas of agreement will be greater than the areas of disagreement. But it is a fact that our economic system, like our political system, is based on competition in the honest conflict between different interests and different opinions. So there will be some things about which we cannot reach a consensus.

This would be a dull country without dissenters. But fortunately that is not a foreseeable danger in this case. Where we disagree, it will be necessary for the President and the Congress to make some very hard decisions. Our political system is designed to do exactly that, relying in the end on the ultimate good sense of the American people.

That is why these conferences must be open to the public. After all, it is their business we are really talking about.

So, ladies and gentlemen, let's get to work.

At this point I would like to ask the newly sworn-in chairman, Mr. Alan Greenspan, to give his outlook on the economy.

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

PRESS CONFERENCE
OF
L. WILLIAM SEIDMAN
EXECUTIVE DIRECTOR OF THE
ECONOMIC SUMMIT CONFERENCE

THE BRIEFING ROOM

3:12 P.M. EDT

MR. HUSHEN: Ladies and gentlemen, we have L. William Seidman with us today. He is the Executive Director of the Economic Summit Conference. He will give you a brief scenario of what they have accomplished to date and then take your questions.

I think Jerry mentioned this morning that Mr. Seidman did address the Cabinet committee to explain what the summit conference was all about.

MR. SEIDMAN: Thank you.

The summit meeting, I am sure you have heard many times about, so I am not going to spend a lot of time talking about it. The general format is that there will be a series of summit meetings in various areas, and I will give those to you in a minute, which will be followed by the final summit conference on the 27th and 28th of September in Washington.

The meeting will begin on September 5, and the first meeting will involve economists from various sectors, and by that I mean labor, management and the academic world and others. And that meeting will be chaired by the President and Alan Greenspan, the new head of the Council of Economic Advisers, will be the principal man in charge of that meeting.

On September 11 there will be a meeting with various leaders in labor. That will also be chaired by the President and will be here in Washington. A number of the other meetings, which I will give you in a minute, which follow will not be in Washington. All the places are not yet set, so I will not try to guess at those at this moment, but there will be a number of them that will be outside of the Washington area.

MORE

The first of those will be on September 12 and will involve State and local Government. Each of these meetings will be chaired by a Cabinet officer and the co-part of the steering committee will be eight Representatives from the Congress. These Representatives from the Congress will be designated by the leadership to work with the Cabinet officers in conducting the meeting.

On September 13, there will be one on agriculture and food, with Secretary Butz. On September 16, transportation, chaired by Secretary Brinegar. On September 17 and 18 there will be two meetings involving business and manufacturing, chaired by Secretary Dent.

On the 18th, also there will be one on housing and construction, chaired by Secretary Lynn. On the 19th, a meeting involving health problems, education, problems of the elderly, the young and so forth, and the effect of inflation, with Secretary Weinberger, and on September 20 on banking and finance, chaired by Secretary Simon.

I do not have the assignments from the Congress yet. They are making their own assignments to these meetings, and we expect to have those in a few days.

Q Who is chairing the one on the 12th, the State and local Government?

MR. SEIDMAN: Secretary Lynn.

Q And who has health problems and inflation and the elderly?

MR. SEIDMAN: Secretary Weinberger.

Q The 13th again?

MR. SEIDMAN: The 13th, agriculture and food, Secretary Butz. I can put these up here so you can recheck if you would like.

Q Do you have locations for these?

MR. SEIDMAN: We do not have the locations as yet. We are working on them, and we expect to have them by the end of this week, and we expect the invitations to the participants to go out by the end of this week.

Q You did say that State and local Government will also be one?

MR. SEIDMAN: Yes.

MORE

Q Are all the meetings between the 12 and the 20 going to be held out of Washington?

MR. SEIDMAN: Not all of them, but some of them will be.

Q Will the meetings be open to the public?

MR. SEIDMAN: They will be open to the press. I think, because of the problems of finding a place and having an orderly meeting, it probably won't be possible to have a large group of the public. But they will be open to the press except for the planning meeting in which they will plan how they are going to conduct the meeting.

Q Mr. Seidman, many very well known expert economists have sharply different views on how to handle the economy. Some favor tax cuts, other tax increases, other a return to mandatory wage and price controls.

Is it realistic to expect this conference to be able to come up with any type of consensus?

MR. SEIDMAN: I don't think a broad consensus in a question as difficult as this is likely. I think there will be areas where there will be some substantial consensus, but that is what the conference is for, is to explore with the best brains in this country their thoughts on what should be done with our number one problem.

This is a worldwide problem. Obviously there is not an easy and quick solution or somebody would have had it a long time ago. This is a method jointly with the Congress and the Executive Branch to get the best information we can in this country to help in setting the program against inflation.

Q Are you prepared to assure somebody like Greenspan whose place in the economic spectrum is very well known, is going to get a representative sampling of economic opinion from left, center and right?

MR. SEIDMAN: I have looked at the list of economists that he is proposing for this meeting and I believe I can assure you that it will be a broad-gauged group of recognized leaders in all sections of the world of economists.

Q The final meeting you plan a plenary meeting in which decisions will be merging?

MR. SEIDMAN: No, I don't think that that is really a feasible way to go at this. I think we will have the views of the various people who have been involved. We will look for where there is consensus, we will look for where there are differences, where basic decisions have to be made.

Q Who will be participating in that final meeting?

MR. SEIDMAN: All of the people who have been to the preliminary meetings will be invited to the final meeting. However, they will have spokesmen for their areas since it obviously will not be possible to have them all speak in the meeting.

Q Are you going to hear from consumer groups, the poor, any input like that?

MR. SEIDMAN: We expect consumer groups to be represented in many of the meetings. I would like to say a word about the meetings. They are not going to be just farmers in the farm meeting. It is going to be the food industry, all the people who are concerned in this very big problem of rise of food costs, and it will involve, we will expect, the unions that are involved in that area, the consumers that are involved in that area, and others who are part of this area of our economy.

Q Have the economists told you whether you can wait until the end of September to get moving on this?

MR. SEIDMAN: Well, to the extent that the President sees things that need to be done, he is going forward with them. You have already seen that in our new monitoring agency and in some of his statements with respect to what he thinks the Federal expenditures should be for the current year, under \$300 billion, and anything else that he believes needs action before that time will be taken.

Q Mr. Seidman, can you tell us who the head of the new monitoring agency will be, and a little bit about its scope? How do you expect it to go in holding public hearings and using moral suasion?

MR. SEIDMAN: No, I can't tell you. I don't know.

Q Will you be the new head of the Cost of Living Council?

MR. SEIDMAN: I do not expect to be.

Q In a briefing this morning, the Press Secretary said in his words that President Ford should not be expected to achieve a miracle. Are you trying to say right now that he is not going to be able to cope with this?

MORE

MR. SEIDMAN: Dealing with the economy is a very difficult question. I don't think anybody is expecting a miracle at this point. And all we are saying, particularly with respect to this conference, it is not supposed to nor do we expect it to create a miracle.

We do think it will be a substantive effort to get at a very difficult problem in which all of us are together, and all of us need to be involved.

Q Could you tell us something about the shape of this final summit? You say invitations have gone out to all participants. Does this mean there will be several hundred people there; that there will be just set statements and no debates, or no indication from the Administration by that time which views it favors and which views it doesn't favor?

MR. SEIDMAN: We are still studying that and I will have comments on that later, but I don't at this time.

Q Will there be reports from each of these meetings relayed to the final meeting?

MR. SEIDMAN: Yes, that much we do have set.

Q Someone interested in the housing industry, for example, say a buyer of a house or a construction worker would get his input into one of these meetings, how would we do it?

MR. SEIDMAN: Everyone in these meetings will be representing obviously vast numbers of people. The construction worker will be represented presumably by his union that will be there. The consumer groups will be represented.

Q You are inviting them?

MR. SEIDMAN: We are inviting various people from these various sectors to the meetings, that is correct.

Q How active a role do you expect the President to play and when there is a final package, will he make the last decision on what he proposes?

MR. SEIDMAN: Well, I think the President certainly will be making his decisions on the direction that he thinks we ought to proceed in fighting inflation. And this conference will be a part of helping him in this very difficult area.

MORE

Q How much of a role does he play? Will he be presiding?

MR. SEIDMAN: He is going to be attending the summit conference for a substantial part of the time that it is going on. He will be attending some of these preliminary meetings and as his schedule allows, may attend one or two others.

Q Let me try the same question again that has been put to you. Do you expect the summit at its conclusion to offer up a series of recommendations or shall we look for decisions that will be followed through?

MR. SEIDMAN: No, I don't think the summit is designed to be a decision-making apparatus. It is designed to give to the President and to the people of the country the best thinking that we can assemble from all sectors on what we should do about our problem in the economy and inflation.

MORE

Q Any particular reason why the President rather than Secretary Brennan will chair the labor meeting?

MR. SEIDMAN: Well, I think the labor meeting is one meeting, as you can see, and we couldn't get business all into one meeting, obviously, because of the many sectors.

Q You have spoken of the worldwide inflation and it is an international problem, but you have no meeting to tackle that aspect of the problem.

MR. SEIDMAN: We are asking all of the participants to come prepared to answer a series of questions which deal with these fundamentals and as well as specific things in their areas. One of those questions is the international area. We expect the economists and others who are dealing in that area to give us their suggestions in that area.

Q Picking up the other question, it is not a decision-making process but the best thinking that could be presented to the President and the Congress. How long after that series of recommendations are put to the President and the Congress should we look for some decisions?

MR. SEIDMAN: That is up to the President. I can't give you an answer.

Q Is this designed more to educate the public on the problems of inflation as opposed to a decision-making function?

MR. SEIDMAN: I wouldn't put it quite that way. I say I think it is basically to get the best people in this country who are involved in all these various areas of our economy to bring to one place their views of what we should do about the problem that we have in inflation.

Q Mr. Seidman, the West German Chancellor said the other day that the United States ought not to take any deflationary actions without consulting our allies and our trading partners. What mechanism do you have here for doing that kind of consultation?

MR. SEIDMAN: Well, the State Department is fully informed of what we are doing, and I am sure they will be in contact with the appropriate people.

Q Mr. Seidman, is the President prepared to be openminded about this? For example, if he hears persuasive arguments for a different kind of monetary and fiscal policy, is he open to changing his own thoughts?

MORE

MR. SEIDMAN: You really would have to talk to the President about that, but certainly the objective is to get before everyone, the Congress, the President and the people, any new ideas that need to be explored in connection with this very serious problem.

Q Is wage price controls a dead issue as far as this summit? The President says he is unalterably opposed to it, that he won't alter his position.

MR. SEIDMAN: The people who come to this summit are people of stature, who have opinions, and I expect they will discuss their opinions in that regard.

Q But he would only take it with a grain of salt?

MR. SEIDMAN: I think those people with their stature will be listened to.

Q Is there any way for anyone who is not on your list of invitees to get his or her opinions directly before these sub-summit meetings, through presenting their testimony or appearing?

MR. SEIDMAN: Yes, we will have a means for them to submit their testimony or their suggestions in writing to the committees. Obviously, it is impossible to have everybody, but we will have a means of getting those suggestions and reviewing them.

Q In all, how many people do you expect to invite to the series of meetings and the summit? Do you have a number?

MR. SEIDMAN: It is not set yet, but it will be somewhere in the area of 600 or 700, I would say, before we get done.

Q In view of the fact that the final summit meeting takes place the day before the International Monetary Fund's annual meeting, will a lot of foreign finance ministers also be invited to the summit or will their views be solicited at that meeting, seeing as they will be in Washington anyhow?

MR. SEIDMAN: I am sure if they would like to come to the meeting they will have an opportunity to see it.

Q Where physically is the economic summit itself going to be held?

MR. SEIDMAN: That has not been set yet.

MORE

Q Will it be in Washington?

MR. SEIDMAN: It will be in Washington, yes.

Q Who will attend the final, the actual summit?

MR. SEIDMAN: The people who have attended the preliminary meetings.

Q You mean all these groups will come together?

MR. SEIDMAN: They will be there, but they will have spokesmen for each of these groups, since obviously all 600 or 700 can't speak.

Q Mr. Seidman, since you are encouraging news coverage, including television, these are going to have a definite public opinion factor; therefore, will the Administration make sure that spokesmen of its own views are part of the program so that you get advantage of any of this public opinion?

MR. SEIDMAN: I think all opinions will have an opportunity to be expressed at the summit within the limitations of time available.

Q But the question is, is the Administration putting together its own team to present essentially an Administration position at these meetings?

MR. SEIDMAN: There will be Administration spokesmen there, and to the extent they think it is desirable, they will be expressing their opinions.

Q Are you worried about the fact that some people, including those who deal in the stock market, will say of this whole arrangement that the President doesn't know what to do about the economy and is sort of floundering around expecting a lot of other people to come up with answers and what does that do to the confidence factor?

MR. SEIDMAN: Well, I think we are always worried about what the people are saying, but I think this is one of our gravest problems. I think it is clear that there is no simple and easy answer. There is controversy among well-informed people, and I should think the people would take confidence in the fact that we are making a real effort to get the best people in this country to put their ideas forward and that we are going to move with all due speed with that as a background.

MORE

Q You say it is one of our gravest problems. Do you think we are risking here either a serious recession or even a depression?

MR. SEIDMAN: Well, I am not going to really comment on the economic situation. That is not my role.

Q Other than to say it was our gravest problem?

MR. SEIDMAN: I think yes, without a question it is a very serious problem. I don't have any doubts about that.

Q Is there a danger here of building up great expectations that you will not be able to fill afterwards? A long series of meetings each out in the public forum and then you have to come up with decisions afterward. Are you worried about the problem of --

MR. SEIDMAN: I think there is always a risk in having a session of this type. We think the risk is worth taking to get the best people involved, getting the Congress and the Executive branch in a true effort to find the best course to go.

Q Mr. Seidman, on goal number five, it is to define hardship areas and decide what immediate action should be taken. Are there any hardship areas that need action before September 28?

MR. SEIDMAN: There may well be. We are studying some of those now. Housing is certainly one that is a key area, and is being studied now, and it may be some things will need to be done before the summit.

Q Will Mr. Ralph Nadar be invited?

MR. SEIDMAN: I don't know particularly, but certainly the consumer group will be represented.

THE PRESS: Thank you, sir.

END (AT 3:31 P.M. EDT)

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

PRESS CONFERENCE
OF

ALAN GREENSPAN, CHAIRMAN
COUNCIL OF ECONOMIC ADVISERS

THE BRIEFING ROOM

AT 10:49 A.M.

MR. GREENSPAN: Gentlemen, I don't think there is anything very much to summarize. Most of you were there, and I am scarcely about to try to give you a summary which cannot conceivably be right.

So, I will just open up for questions and hopefully I can answer whatever you ask me.

Q Could you summarize the meeting for us?
(Laughter)

That is a serious question.

MR. GREENSPAN: Let me tell you what to do. Rather than summarizing it in concrete issue forms, let me summarize it with respect to what we intended and what we achieved, leaving the content question out.

It was our purpose to attempt to develop a two-day meeting with a representative group of economists which would enable us to put on the record essentially for Congress, the American people and the President, a spectrum of views on the very serious problems which we confront.

Now, taking that as the purpose of the meeting, I would say that we came in pretty much on schedule so far. Now, remember, we do have another meeting on the 23rd and, while I hope we will be able to say the same thing at the end of that meeting, obviously, I am not about to make that sort of forecast.

Q Mr. Chairman, as I understand it, the purpose of reducing Federal spending and raising interest rates is to dampen demand on the economy. Well, if there is slack in the economy, what is the purpose of pursuing this policy?

MORE

MR. GREENSPAN: Well, first, I wouldn't quite put the policy in that form. I would say the policy essentially is to suppress inflationary pressures. Now, the purpose of reducing Federal expenditures is perhaps -- just to slightly over-simplify it -- is to reduce the burden on the capital, that is the national capital markets, and hence avoid the process which we have seen progressively in recent years of very heavy financing, not only of Federal Government securities, direct securities, so-called direct Treasury issues, but also very significant amounts of off-budget financing which has essentially elbowed out of the capital markets many private borrowers.

These, in turn, have felt it necessary to go to the banks and the pressure on the banks which reflects itself in the money markets and hence directly interfacing with the Federal Reserve system, has caused very great pressure both on interest rates and, two, on a growth in the money supply which has been in excess of the rate of increase in production.

And so, as a consequence, what we have seen is essentially a financial process which has aggravated our inflationary system.

Now, I am not saying that is the sole cause of inflation and the issues I raise here are, at least in the profession, debatable. But I think that the case that we have is a strong one and I am fairly well convinced at this stage that if we were to do one thing and one thing only, that is cutting the growth in Federal expenditures, reducing the pressures on the financial markets, this would enable the Federal Reserve to not necessarily ease up in this so-called monetary aggregate, but what would occur is that the Federal Reserve would find that under a certain posture it might take, it would, if they did not have very heavy pressures from the financial capital markets, find that interest rates would slip out from under them, so to speak.

And so it is our view -- and I think one which I am pretty certain will work if we can engineer it -- that if we can bring down this process, suppress it, we will finally get at the roots of the inflationary pressures.

Now, higher interest rates are not a policy. There is no attempt to increase interest rates to do anything. That is an unfortunate by-product of other things that must be done, and at this particular point the only way to get interest rates down -- and that would be the best sign I could imagine at this stage -- would be to essentially remove the pressure from commercial banks, and that can only be done by very significantly altering the pressure which direct and indirect Treasury borrowing has done.

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Q Mr. Greenspan, you said that the purpose of these meetings is to put on the record for the Congress, the American people and the President, a cross-section of views. What actually is accomplished by that?

MR. GREENSPAN: Well, I think several things. First of all, it is important to get the best judgments, or to get a judgment of who thinks what about what, people who have been studying the issue as professionals.

You get from this type of meeting not necessarily great degrees of agreement. We will get some and I think everyone, including myself, may be surprised in many areas where there is significant agreements.

But there really is another purpose in the whole process itself. It starts a dialogue not only in the profession itself, but pretty much throughout the country to have everyone focusing on these issues, and what it does, it elicits all various pieces of information which are the essential ingredients of understanding the theoretical structure of what we are looking at.

Economics may be the profession which is looking at this problem but it is so vast and so complex that you need inputs from virtually every sector of society, and one of the purposes of the summit, you know these various so-called pre-summit meetings -- I understand that is hard to describe how you define these particular things -- but the various purpose of this is to largely try to put into one place on the record at one time a cross-section of all of these particular views.

Q May I follow up on that question? Since these views are largely known and since you have said that you feel that action at this time would not be appropriate or of profit --

MR. GREENSPAN: I don't recall making that statement.

Q You said that action for action's sake is to be avoided.

MR. GREENSPAN: Is inappropriate, surely, certainly. That is not the same statement as saying I would not recommend action. I mean to say that before you do anything, try to be certain that you know what you are doing.

Q With that premise as you have stated it, is one of the purposes of these meetings then simply to buy time to enable the present policies to work and ward off criticism that nothing further is being done while creating the atmosphere that something is being done in the sense of meetings being held?

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MR. GREENSPAN: That is not my understanding or purpose.

Q Were you surprised, Mr. Greenspan, by the lack of apparent support yesterday; first, for a so-called "quicky" cut in Federal expenditures during the current fiscal year, and second, for shooting for a technically balanced budget in fiscal year 1976 in the face of a slackening economy where Government income can't be estimated with precision?

MR. GREENSMAN: I think certainly the question of shooting for a balanced budget as a statistical goal is a very elusive one, because one never knows what revenues are going to be. To shoot at a specific expenditure ceiling or level is a very important one.

I think that the issue of the impact of Federal expenditures on employment and unemployment and the issues which were discussed yesterday will be one of the issue elements that we will put on the agenda for the September 23 meeting which will be discussing precisely this question.

Q Didn't you sense a feeling that the trade-off between a cut in Federal expenditures and unemployment was such as really not to be worth the bargain, that if you really wanted an effective fiscal policy with immediate impact, the avenue, the appropriate avenue, would be some sort of tax increase?

MR. GREENSPAN: I would say that that is an issue of significant professional disputes and it will occur on the 23rd.

Q Mr. Greenspan, what do you think would be the result or results of a moderate easing of monetary policy at this time?

MR. GREENSPAN: It depends on what the word "moderate" means.

Let me take it from, say moderate plus, depending on how the definition goes. It serves no useful purpose to significantly ease monetary policy because at the moment, if that were done in the current context and the tremendous pressure in the capital markets, you would get a short-term sense of well-being, sort of an easing of very critical pressures, and there would be a hiatus which would make everything appear to have improved very considerably for a period of time -- three, six, nine or twelve months -- I wouldn't know.

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However, almost certainly the increased money supply growth which would attend such an easing would put us back in a situation that we currently find ourselves and perhaps even worse.

Now that is not the same statement as saying that one doesn't ease at all and, having just come on board and not having been involved in any discussions with the people at the Fed -- like I do not know what is in fact going on -- so I am in sort of the same boat you are, or as I was back several weeks ago.

I am aware, however, that the Fed is not insensitive to all events that are going on. I think that goes without saying. And they have a great responsibility. I mean it would be very easy for them to react to very strong obvious short-term pressures to ease up very quickly. But the people, or many of the people who are arguing for that, I don't think have the responsibility that the Fed has.

At this point I would be hesitant to comment on this specific sort of thing because, first of all, my knowledge is not there and I suspect where my knowledge is basically there, then I could not talk anyway.

Q One of the things, or two things, that were mentioned, but were not really gone into in any depth yesterday, one was the impact of -- for want of a better phrase -- renegade large corporations in a free-market economy who operate in effect like robber barons against the national interest.

I am sorry to use those emotive terms, but the point was raised that some of the things they do -- for instance, the auto price hike -- are counter productive to national goals.

Now what is your position on this, and will the Administration take a position on this?

MR. GREENSPAN: First of all, remember that in order -- stripping out the emotive words and talking basically about the relationship between production trends and prices -- I mean the specific question was how is it conceivable that you would have a situation in which the demand would be weak as it is in the automobile industry as it was until very recently, and nonetheless you get a price hike of the sort that we have seen.

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Now, remember, there is a theory underlying that particular cause of this relationship and that implicit in everybody's view of these various type of events is a conception of the way the system should function.

And to say that the system is functioning incorrectly or that competition isn't working, presupposes a concept of what the relationships should be in this industry. My view is that the system functions rather well. I don't want to specifically comment on the particular industry issue because I am not involved in that and I, frankly, haven't given it terribly much thought.

However, that will be discussed in the abstract, you know, the whole question, in the September 23 meeting.

Q Would you in principal favor giving more teeth to the regulatory agencies and in particular enforcing the current antitrust laws that are in the book?

MR. GREENSPAN: Well, first of all, I don't have anything to do with that and I don't think the Economic Council would or should.

Q Do you have any opinion on it?

MR. GREENSPAN: I have a personal opinion, but that is a private personal opinion which would have, in my view, no effect and shouldn't have any effect on Federal policy. As a consequence, what I have said on that issue, which I have said in the Senate Banking Committee hearings, are my personal beliefs. But I also indicated there that I consider that wholly outside the realm of my particular job here.

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Q Mr. Greenspan, the Chrysler Corporation is saying that their automobiles will increase \$400 to \$500 a model next year. Is that an acceptable increase as far as you are concerned?

MR. GREENSPAN: That is obviously the same question that has just been asked. I have no intention of getting involved in that and I am trying to not get involved and hope I succeed.

Q Mr. Chairman, coming back to the monetary policy question, your response was couched in relation to a moderate ease in monetary policy, but I think the sense of the suggestions yesterday didn't go that far. People talked of a slight or modest backing away from the most restrictive policy. Would you address yourself to the question in that form? Would you be sympathetic to that kind of suggestion?

MR. GREENSPAN: I don't think it is appropriate for the Chairman of the Council of Economic Advisers to get involved on an issue which is essentially an issue of the Federal Reserve. Why don't you ask them?

Q Mr. Greenspan, isn't it a function of the Council of Economic Advisers to concern itself with such fundamental things as price increases in the auto industry? How do you see your role as different from your predecessor who didn't hesitate to comment on questions of that sort?

MR. GREENSPAN: My view, as I stated previously, is the Council of Economic Advisers should be advisers on matters of research and basic economics. Now, what that will entail, as far as I am concerned, is to put before the President all of the various opinions and options stated by the profession. In other words, I consider it my job to make available to the President not only the views of the Council of Economic Advisers, but also as best I can, what others are saying and in fact, as part of that, we intend to have -- it is as yet undecided whether it will be formal or informal -- a group of outside professional economists meeting with us periodically on specific professional issues and assist us in developing the types of inputs that we will present as the Council into the President.

Now, what I am getting at here is that we do not -- we are trying to, in a sense, depoliticize the Council, which means essentially that while we will present all views and give the various types of analyses, we will avoid getting involved in issues such as this.

Q To follow that, then, who is the Ford Administration's chief economic spokesman as of this moment?

MR. GREENSPAN: At the moment, it is the President of the United States. I cannot answer that because I don't know the answer.

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Q Mr. Greenspan --

MR. GREENSPAN: I am not.

Q -- you have just given us an argument in favor of a tight budget and then have declined to discuss such direct intervention methods as an anti-trust enforcement and direct pressure on the auto industry, et cetera. Should we draw the conclusion from that that your advice is that the budget is the way to handle the present problem without direct intervention?

MR. GREENSPAN: Let me put it this way: There are a number of economists and advisers around whose input will go in as well as perhaps unprecedentedly significant amounts of external input.

My personal view, and I think it is stronger than that, my professional view is that in the longer term, what we have to do is cut the rate of growth in Federal spending. Now, I base it on -- and perhaps we may be making some presentations along this line at a later date -- I base this view on an analysis of what inflationary patterns have been for the last 50 years, really, and in an attempt to determine actually what has caused the excessive growth in monetary expansion, in excess of the rate of growth in output and, hence, what has caused the price inflation.

Now, I am not saying that if you solve the budget problem, that everything else will go away. I don't believe that. However, I do say that if you don't solve the budget problem, everything else is treating symptoms.

Q Sir, can I ask you this: Given the increasing shortage of raw materials and commodities, which again is a theme that was only very briefly touched on, but seemed to many to be an underlying theme of inflation, what is your general approach to the concept of growth in the private sector, per se, where you have diminishing raw materials which in turn fuel inflation as production increases?

MR. GREENSPAN: Well, first, let's define what we mean by shortage of raw materials. There is a shortage but the shortage is actually in processing capacity. We, for example, don't have a shortage of iron ore or iron-bearing materials, but we do have a shortage of processing facilities. We don't have a shortage of bauxite or alumina-bearing clays, but we do have a shortage at this point of production facilities. And you can go down the line, otherwise, the same in paper and paper availability.

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There are reasons why we have capital short positions in the United States, and that really gets to the more fundamental question, not of material shortage but capacity expansion.

So, it is not raw materials in the sense that we usually mean them, but it is inadequate facilities to produce the quantities of finished materials that are required to meet the aggregate of demand of the American economy.

Q Are you able to say, sir, what President Ford got out of this meeting yesterday? Were there any one or two recommendations that he mentioned to you?

MR. GREENSPAN: I have not spoken to the President since the meeting ended, so I don't know.

Q Mr. Greenspan, do you agree with Mr. Friedman that the thrift institutions will have to be bailed out and, if so, what form would you prefer?

MR. GREENSPAN: That they have a definite problem, I think, is unquestioned. So long as you have short-term money market rates significantly above the income yields of the asset side of the savings and loan and thrift institution generally, portfolios, then clearly there is a latent problem which could be considerable if interest rates continued higher.

The obvious, in fact, the only really long-term stable solution is to bring short-term money market rates down.

I trust that Professor Friedman's forecast is wrong, but I don't know, we are all forecasting essentially, we are really all forecasting short-term interest rates, and that is a very rough number to forecast. One of the reasons I would very much like to see major progress as soon as possible on the Federal budget, as I think I indicated yesterday, there is a large psychological element in the money market. There is an inflation premium in the interest rates and, as a consequence of that, if you introduce some very credible -- and I underline the word "credible" -- curtailments in the growth of Federal expenditures and hence, on potential easing on direct and indirect, that is, guaranteed credit programs and so forth, I think that we might find that the interest rates, the nominal interest rates fall, and that, of course, would be the simple, best long-term solution to the problem that the thrift institutions have at the moment.

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Q Mr. Greenspan, what is your opinion on the call for an international conference on inflation? Do you expect the President to go along with that and call one following the domestic summit?

MR. GREENSPAN: I really can't answer that. All I can indicate to you is to repeat what the President said yesterday, that he was obviously aware of the United States relation to the rest of the world on this issue and will act accordingly.

Q Will it be your task, Mr. Greenspan, to compile the recommendations that come out of this summit for the President, to put them on paper and who will translate them after that?

MR. GREENSPAN: That has not been decided as yet.

Q Do you foresee a tax increase or a tax decrease?

MR. GREENSPAN: At the moment, I foresee neither.

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Q Mr. Greenspan, there seemed to be general agreement among almost all the economists yesterday that what some call the "sacred cows" in Government regulations and policies that subsidize certain industries or help agricultural prices, should be eliminated. I wondered if you agreed with that and if that is something the Administration could be taking action on relatively soon?

MR. GREENSPAN: As a professional economist, of course.

As to the second part of your question, I would defer because I don't know the answer to it.

Q Mr. Greenspan, would you comment perhaps on Mr. Levy's presentation yesterday and specifically his warning regarding the shortages that some countries may find in their ability to pay for oil?

MR. GREENSPAN: There is no question at the moment that the high price of oil is generating very considerable payment requirements on the part of the major oil importing countries. These can very easily be maintained in the short run, because there are, obviously, adequate resources.

But he is raising a very important problem, namely, that the level at which prices now are in the world oil markets does generate a very heavy burden, and the way to look at that is not so much the flows of monies from, say, the oil importing countries to the oil exporting, but you also have to look at the so-called balance sheet effects within the oil importing countries.

What is happening -- and I fear that we have seen this in several countries already -- is a worsening in the external liability position and, if you project very long into the future -- and I just don't know how long, you know, several years or more -- at these types of flows without significant reinvestment of the funds, not, incidentally in direct debt instruments, because that just merely shifts the debtor from one place to another -- then you do have a problem.

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And I think there is a potentially serious one here, and I think it requires considerable effort to avoid this going on in the same form for an extended period of time.

Q Mr. Greenspan, for the fellow who can't read a balance sheet and doesn't know about the Fed, how long can he anticipate that he will have to put up with the high prices in such luxuries as food, clothing, and shelter?

MR. GREENSPAN: You are talking about the consumer in the United States?

Q I am talking about the retired person, a fellow who lives on a fixed income in the United States. How long will he have to put up with this, or will he find one morning between now and the summit that the banks are closed?

MR. GREENSPAN: I think that he might, but it will be a Sunday. (Laughter)

Q Mr. Greenspan, it is a serious question.

MR. GREENSPAN: We know several things about what is happening. First, agricultural prices on the farm level until very recently -- I guess it was early June through maybe about three or four weeks ago -- rose enough to lead one to believe that we will have some turn-around in a short acceleration of food prices for the next several months.

I don't know how much we can project the most recent decline -- and there has been a surprising decline in farm prices recently. If that continues, then this little retail food price will be a blip.

But what we are trying to forecast is essentially the status of the crop and that really is very rough. And, as you well know, it depends very substantially on the harvests and what the growing season is from here until we get the stuff out of the ground.

On things like clothing, we do know that there was some fairly strong increases coming partly from all the cotton crops and big increases in synthetic fibers. There was a fairly substantial increase in the price of synthetic fabrics coming from the textile mills earlier this year.

I think it slowed down very measurably since, as I recall, and that is going to work its way into a apparel prices and I would not be surprised to see apparel prices somewhat higher as a reflection of that. But again, that may be another filler.

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Q Did you say higher?

MR. GREENSPAN: Yes, somewhat higher.

Now, when you are dealing with things like this, you are doing price forecasting. I think we should all be terribly aware this is one of the most difficult things to do and, even though economists get up in front of you and spout exact forecasts and tell you all about it, we are on the margin of guessing, maybe a little better than guessing, and maybe we know a little bit more than the average person, but I want to emphasize that the profession of price forecasting is an extremely primitive one and I think that hopefully, our profession has gained a good deal of humility on this subject of late.

Q About a year ago you wrote in The New York Times that much to your distress, the Government was becoming involved in and responsible for everything down to the price of popcorn and what the economy really needed was a strong dose of "do nothingism". I wonder a year later, in general, is that your prevailing philosophy?

MR. GREENSPAN: Let us remember what was going on a year ago. A year ago, in fact, the Government was involved in everything down to the level of popcorn. Since then, not only popcorn has come out from under price restraint, but virtually every other aspect of the economy. So, as you may recall, that article was essentially my view, which I still hold, on the inefficacy of wage and price controls as an anti-inflationary device.

Q Could you see any circumstances in the economy, sir, any circumstances whereby you would change your position on the need for wage and price controls?

MR. GREENSPAN: You are trying to indicate to me -- first of all, let me just go back a minute. I am looking at an economy which is basically something which I view from day to day, month by month, year by year, and I have a general conception which does change, obviously, as new evidence comes in.

Now, if you are going to say to me, under any conceivable occasion, will I change a view which is based on facts and realities, will I never change it? It is an odd sort of question. I mean, if you want to be exactly right, the answer is, of course not. If you literally ask me to construct some incredible, bizarre set of affairs, sure I could. But if you are asking me is that likely to happen, no.

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Q You were talking a bit earlier about de-politicizing the Council of Economic Advisers, which seemed to imply a lower public profile for the Council. In that connection, I would like to ask you if you plan to continue the monthly press briefings that your predecessor, Dr. Stein, used to hold?

MR. GREENSPAN: Yes, we will, but I will try to restrict them to non-political issues and questions of what is going on in the economy, and to whatever extent other issues are involved, I will try to confront myself with them.

Q Mr. Greenspan, your predecessor used to answer a monthly question that was put to him in very simple and succinct terms. I wonder if you could do the same? What is the outlook for the housewife in this country?

Q In what way?

MR. GREENSPAN: Yes, in what way?

Q Concerning the inflation.

MR. GREENSPAN: I appreciate the amendment. (Laughter)

I think that we have got continuing concern about the outlook and I think, in sort of extending on my remarks from yesterday, inflation is just not about to go away quickly. I think we would be naive if we believed that. It has taken a very long time in coming. It is going to require a great deal of work to discuss it and so long as we have got the type of inflation that we have, I think that the average housewife is concerned and I think she should be.

You know, if you sit there and if you know that you have to meet your monthly rental or utility bills or what have you, and prices are stable, you can pretty much plan what that is going to be six months, nine months out and you can really plan your family finances, which means you can plan your family.

One of the great casualties of inflation has been the gross increase in uncertainty and in many instances, fear that this just sheer instability in the price level and the incapability of having some reasonable assurance of what prices are six months, nine months out, I think the loss of that assurance is a very fundamental loss for the American housewife.

We look, as economists, at statistics and we worry about money supply and the like, but the real casualty here is the American people and I think this is all the more reason why it is absolutely essential that inflation be brought under control and be brought under control as soon as is practicable.

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Q Dr. Greenspan, yesterday a number of suggestions were made of things that the Government might do to prevent the current high prices and inflationary expectations from becoming fully reflected in new wage contracts and hence, setting off a new wage-price spiral. Do you think there is anything the Government can or should do in that direction?

MR. GREENSPAN: This is the type of issue which is under discussion and thought at the moment.

Q Dr. Greenspan, what will raising the unemployment rate do to instill confidence in the American public?

MR. GREENSPAN: First of all, one doesn't raise the unemployment rate.

Q Well, let it go up?

MR. GREENSPAN: Well, there is a different way of putting this thing. What you are required to do insofar as policy is concerned is to put into position realistic elements which will diffuse the inflation. Now, at this particular moment, I don't think there is any policy which can significantly lower the unemployment rate and hold it there. Right now, the reason we have got a turgid economy, the reason we are likely to get some further increase in unemployment is the elements of inflation psychology which are building in and have been building in for the last six, nine, or twelve months, into the business decision-making process, creates a level of real demand which is below capacity, so to speak.

I know of no way, and I know of no one who seriously suggests that we can boost this radically -- I mean, we can change the situation in any radical way in the short-run.

So, in the first instance, yes, I can conceive, if you ask me, of all sorts of policies which would prevent the unemployment rate from going up, I submit to you that the consequences of those policies, you would find so distasteful and be so distressful to the American people that if I am still sitting here a year from now, next the question would be, what are you going to do about "X", which is the consequence of the policies that were implemented the year previously.

I think it is a very serious problem. I think that the only way to really restore equilibrium to our economy is to think in terms not of trying to get one statistic up or one statistic down, but focus on the best way we can restore the economy to a viable, stable, non-inflationary growth path, which has essentially been the heritage of this economy.

THE PRESS: Thank you.

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(AT 11:37 A.M. EDT)