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THE WHITE HOUSE

PRESS CONFERENCE
OF
L. WILLIAM SEIDMAN
ASSISTANT TO THE PRESIDENT
FOR ECONOMIC AFFAIRS
AND
RON NESSEN
PRESS SECRETARY TO THE PRESIDENT

THE GEORGE V HOTEL

10:28 P.M. Paris Time

MR. NESSEN: We are going to have Bill Seidman tonight to give you a good deal of substance on today's talks. Before we do, let me just clean up a few odds and ends.

We have one announcement on tomorrow's schedule, which you should have already. Press Pool No. 6 should be in the press center and ready to go to the chateau at 7:30. This will be the day long protective pool at the chateau and also to go to church and back with the President.

I think your poolers probably have told you already that the President held a meeting of about 20 or 25 minutes with President Giscard shortly after the arrival. The meeting largely concerned President Giscard outlining what he had in mind for how the meeting should be conducted.

The rest of the afternoon President Ford spent in a series of meetings with various members of his staff, including Alan Greenspan, Bill Seidman, Secretary Kissinger, Secretary Simon, Dick Cheney and myself. He also took a short nap in the afternoon.

The reception was slightly late getting started, and it started about 6:10 and it was cut short. The reception consisted mainly of a kind of formal greeting of the Presidents, Prime Ministers, and their Foreign Ministers and Finance Ministers.

The actual meeting began at 6:21 and lasted until 9:17, somewhat longer than anticipated, at which point the Presidents and their Ministers went into dinner.

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The Presidents and Prime Ministers agreed tonight's meeting was penetrating, friendly and useful. The subject of tonight's meeting was economic recovery. Each of the six Presidents, or Prime Ministers, had an opportunity to speak at some length, giving their views on this subject, and there were also questions and comments made by the other leaders.

Now, what I propose to do is that Bill Seidman will give you a rather full summary of the presentation that President Ford made at tonight's meeting.

Just one or two other notes.

The remaining items to be discussed during the course of the next few days are trade, monetary affairs, energy, relations with the developing countries, and East-West economic relations. It has not been completely decided what the topic of tomorrow morning's meeting will be, although it is likely to be either trade or monetary affairs.

The Finance Ministers of the six countries will hold their own meeting, separate meeting, tomorrow morning at 9:30 at the chateau, and Secretary Kissinger will have a private breakfast meeting with Mr. Callaghan at 8:30 at the British Embassy.

Q Subjects?

MR. NESSEN: Obviously, international finances, but nothing in particular.

Bill does have, as I say, a rather full summary of the presentation President Ford made tonight, and I think at this point it would be best for him to come and give you that.

Q Is there any bilateral or extra economic stuff going on during this week? In other words, is there anything outside the economic sphere, business to be transacted by Kissinger or the President?

MR. NESSEN: That is, talks that deal with subjects other than international economics?

Q Yes.

MR. NESSEN: Not that I know of.

Q The phrasing "penetrating, friendly, useful," how were those words decided upon, and by whom, and who are we quoting? You?

MR. NESSEN: You are quoting me telling you that this is the language the six leaders felt most accurately described tonight's meeting.

Bill?

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MR. SEIDMAN: I will try to go through and give you some of the key points that the President made in his presentation and then if you would like to ask questions about it, we can talk about the interpretation.

The President began by expressing his satisfaction at the consultations that he had previously had with many of the leaders and stated that they represented important inputs into our own policy-making.

He then talked about interdependence and the need for cooperation, and stated that the summit springs from an enormous interdependence of our societies and common values that we share. He indicated that obviously they could not resolve all problems at this meeting but the objective was to achieve a better understanding of them.

He noted that the leaders had the opportunity to help shape the future of the world's economy and that the issues, however, could not be on purely a technical basis, that the way that economic problems were handled would have important political implications and that the solving of economic problems would require political will.

He then made a short summary, giving the current state of the U.S. economy and he noted that in his opinion we must focus not only on the current problems but on longer range policies. He stated that the policies which he had been advocating were designed to diffuse inflationary pressures which affect all economies and set in place policies which would encourage investment, job creation and productivity. He explained in that regard his proposal for tax cuts and accompanying limitations on spending.

He stated that our recovery is now seven months old and has shown even greater strength than we had earlier anticipated. Industrial production at the most recent figure was increasing at a seasonally adjusted rate of 13 percent, total civilian employment had increased over a million and a half jobs and we had had one of the largest productivity increases in our history. Real GNP had increased at an annual rate of over 11 percent in the last quarter and that we anticipate another large advance in the making for the current quarter although somewhat less than the third quarter.

He stated that the outlook is for a continuation of a strong recovery in the United States. He cited as evidence the inventory liquidation which has just been coming to a termination, that final sales had continued strong, which would in the course require substantial increases to inventories.

Business fixed investments, which has been one of the weaker parts of the economy, had now bottomed out earlier than anticipated and we look for recovery in the period ahead.

He said that monetary and fiscal policies put in place by the U.S. Government are calculated to accommodate a strong business expansion.

He also said that Chairman Burns had assured him that the rate of money creation over the next year will be adequate to insure sustained recovery. He anticipated that GNP would grow at an average rate of six to seven percent throughout the middle of next year and an average rate of approximately five percent from the middle of next year through 1977.

He said that he remained confident that inflation, while not at the level that we would like to see it, is essentially under control. He noted that there had been some recent figures that were adverse, especially in the WPI, but he said that he did not believe that those were indicative of the trend over the next year or year and a half.

He also stated that the expectation of lower rates of inflation in the money and capital markets would contribute to a decline in interest rates which had started over the last four to six weeks.

He then commented on the world recovery as opposed to his comments on the United States, noting that for the first time in a substantial period of time the major cycles of the countries involved had almost coincided, thus making a deeper recession which was made more difficult by the quintupling of the price of oil.

He said that the oil price increase has clearly contributed toward the creating of a climate of uncertainty and it has substantially increased inflationary pressures, and has had a significant deflationary impact on our economies.

He said he shared the view of what he understood was also the view of the leaders there, that the private sector demand has been inhibited by a lack of confidence and that a return of confidence was essential to the recovery of the economies involved. He felt certain that the reflationary measures which had been taken by all countries would result eventually in a substantial strong gain in consumer expenditures thus boosting the economic recovery.

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He noted that U.S. recovery had proceeded ahead of most of the countries involved -- in fact, all of the countries involved -- and he said that we expected to continue our recovery with a real output gain of between seven and eight percent between the second quarter of 1975 and the second quarter of 1976. Such a shift would expand the volume of world trade by three to four percent.

But he also noted that a somewhat faster growth of the U.S. economy than now envisioned would make only a modest contribution to world recovery. A percentage point of additional growth of the U.S. economy over and above what is now expected would affect the growth of the European economies in the order of one tenth of one percent in 1976, according to our estimates.

In discussing restoring confidence and economic growth, he stated that we are able to reaffirm our confidence that although the response to stimulus policy measures is slower than in most post-war periods, recovery from the precent recession is clearly well underway. The vitality of our industrial democracies, the leadership we are able to provide to the rest of the world and the quality of life that characterizes our societies depend upon our ability to achieve sustained economic growth without inflation.

He then went on to note that there are a number who believe that economic growth will be impossible to sustain in the future and he categorically rejected that view. He stated that he was convinced that the market economies would be able to make the adjustments and technological changes necessary to economize on scarce natural resources and continue to have a growing economy.

He made a particular point of saying that we must provide the kind of economic climate that encourages confidence and enhances the incentives for business to invest. He stated that his program for limiting the growth of Government expenditures was designed to achieve this result; limiting Government spending will release the savings necessary to finance investment.

He also noted that confidence depends on consistency and national economic policies, resisting the pressures for stop and go measures that have inevitably resulted in greater economic instability and uncertainty.

In short, we must pursue a steady course if we are to achieve larger investments and sustained growth.

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He proposed that we set as our objectives -- and one that he believes can be achieved -- a generalization of recovery during 1976 among the major industrial countries, restoration of sustained and vigorous economic expansion and high levels of employment for 1977, and a reduction in the rate of inflation. And, as part of that, a restoration of vigorous growth in the volume of world trade.

He then spoke briefly about the various areas that will be discussed tomorrow, and as mentioned by Ron Nessen, involving trade, energy and the other areas which Ron mentioned, merely stating that each one of these was an important part of the overall plan to achieve the goals which he had cited.

I think that perhaps gives you a rundown on the overall.

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Q Mr. Seidman, the President criticized stop and go measures, as you said. Was that in reference to the American experience or in Europe or where?

MR. SEIDMAN: The question was, the President spoke out against the stop and go economic policies, and the question was, was that in criticism of the American policy or of all of the countries.

I think it was a result of the American experience, and as a result of that experience, he wanted to give the benefit of his thoughts to all of the leaders involved.

Q Mr. Seidman, did the President discuss the New York situation with any of the leaders, or all of them?

MR. SEIDMAN: I was not at the meeting, as you know, and it was not a part of his initial statement.

Q Did the President suggest any specific means to be taken for international coordination that could lead to the accomplishment of the goals?

MR. SEIDMAN: He suggested that they pursue discussions further in the program to decide what would be the appropriate mechanisms to further cooperation and the kind of economic policy-making which would take into account the policies of other countries, and that will be a subject for their discussion tomorrow.

Q Were there any comments by the President on the recent downturn in the U.S. leading indicators?

MR. SEIDMAN: Yes, I think he stated quite clearly that he did not believe those were indicative of the trend and that we were in a strong recovery and he expected it to continue and that the one or two indicators that had turned the other way were not, in fact, indicative of the way the economy was expected to go through the next year.

Q Mr. Seidman, at one point you said he said real GNP would increase 6 to 7 percent next year, and later on you said he said we expect to see an increase in output, 7 percent second quarter and 7 to 8 percent the second quarter of 1976.

Is that for two different categories, or are we talking about the same thing?

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MR. SEIDMAN: One is industrial production and the other is GNP?

Q Yes, is that the fact, one is supposed to be industrial production?

MR. SEIDMAN: Yes.

Q Is that the second one you mentioned?

MR. SEIDMAN: The second one I mentioned was GNP between 1975 and 1976, 6 to 7 percent, right?

Q When you say 6 to 7 percent for next year and 5 percent mid-1976 to 1977, was that industrial production?

MR. SEIDMAN: That was GNP.

Q The second is industrial production?

MR. SEIDMAN: I will run over them again, if you like.

Q I just want to know which is which.

MR. SEIDMAN: Just so we will have it exactly, I will tell you right out of here. We are now talking about real output between the second quarter of 1975 and the second quarter of 1976. That is 7 to 8 percent. That is what I stated.

Q I thought you said 6 to 7.

MR. SEIDMAN: If I did, I meant 7 to 8.

Q You said 6 to 7. You meant up to --

MR. SEIDMAN: Up to that year. But, the increase between the second quarter and the second quarter of 1976 was 7 to 8 percent.

Q Would you go over the preceding figure?--

MR. SEIDMAN: Which preceding figure?

Q The one Walter is talking about. Industrial production.

MR. SEIDMAN: We anticipate the GNP figure will grow an average of 6 to 7 percent through the middle of next year. The other figure was from the second quarter to the second quarter of 1976.

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Q You had a 5 percent figure, too.

MR. SEIDMAN: That was beyond the middle of 1976.

Q And that is GNP?

MR. SEIDMAN: Yes.

Q Did he talk about unemployment figures at all?

MR. SEIDMAN: He only said with regard to unemployment it was too high, that he expected it to be coming down at a rate slower than he would like, but he expected that over the next year the trend would be towards declining unemployment. He did not give any figures.

Q Did anybody question the $28 billion extended cut in the tax decrease program?

MR. SEIDMAN: Since I wasn't there, I cannot tell you what they said. I can only tell you what the President presented.

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Q Was this remark about a one percent increase --

MR. SEIDMAN: In GNP in the U.S.

Q -- his way of saying that further stimulative procedures adopted in the United States would not have that significant effect on the world economy?

MR. SEIDMAN: I think he wanted to evaluate that for the people involved so they would see our estimates of what the effect of it would be.

Q Was that in anticipation of some sort of pressure on him for further stimulative --

MR. SEIDMAN: I think it was a part of the interchange and discussion in determining what the effect of our policies would be on them and in that regard he wanted to give them his best judgment as to what the result would be now that we are at the current levels of growth we are at.

Q Mr. Seidman, was the President in effect saying that the United States policy is now having an optimum of impact on the economies of other nations?

MR. SEIDMAN: I think he was saying in his view the growth we were experiencing was somewhat higher than we had actually anticipated and, in that regard, was having an effect on the economies of the other countries involved, and that further increases beyond that would have a rather minimal effect.

MR. NESSEN: For those of you who don't know Bill -- L. William Seidman, Executive Director of the President's Economic Policy Board.

For tomorrow, I would anticipate that we will phone down information throughout the day and that at some point later in the day -- at this time I can't tell you the time -- we will have a briefing.

For the moment, at least, I would not like to put a lid on for tonight. I want to check out one thing. You will be busy writing anyhow and I will be back shortly to tell you whether we are going to have anything further.

Q Will we have information to go into a printed pool report?

MR. NESSEN: Right.

Q Is there anything more on the meeting tomorrow?

MR. NESSEN: No, I wouldn't have anything on that tonight.

END (AT 10:55 P.M. Paris Time)