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POOL REPORT FROM AIR FORCE ONE TO PUERTO RICO

Alan Greenspan, Chairman of the Council of Economic Advisers, warned that the official figure for national output in the second quarter will be disappointingly low. But he said the official number won't accurately reflect the genuine strength of the economic recovery.

Greenspan argued that all basic data, except the official gross national product number for the second quarter, indicate that the recovery continues at a satisfactory pace.

"The only figure that shows slowness is the official number" for the annual rate of growth in real gross national product (total output of goods and services adjusted for inflation) in the April-June quarter. Greenspan refused to estimate what this number would be, but suggested that it would be below 5% in the first quarter, the growth rate of real GNP was 8.7% such a rate, if sustained, would suggest a significant slowdown in economic activity and a virtual halt in the improvement in the unemployment rate, currently 7.3%.

In contrast to the official GNP number for the second quarter, Greenspan said, all other figures indicate a growth rate "in the real world" of "certainly more than 5% in the real world, more than likely more than 6%."

For non-economic reporters, the significance of Greenspan's comments appears to be that the Administration is concerned that the low official GNP number for the second quarter will trigger public concern.

Greenspan said his optimism about the second quarter, despite the looming disappointing GNP figure, is based on analysis of such statistics, gross national income, industrial production and general employment data.

For the year as a whole, Greenspan said he is sticking with his forecast of "close to 7%" growth in real GNP (1976 over 1975).

In summary, Greenspan said that "the GNP statistics itself (for the second quarter), because of weaknesses in the data, is not going to reflect what is really going on." Whether the problem with the second quarter GNP figure involves data on inventories, retail sales or something else isn't clear at this point. He insisted that the Administration doesn't yet have a hard figure for second quarter real GNP.

Nessen on the record: was asked why the President was detracting from the Summit by making his strong Puerto Rican remarks in the airport arrival statement. He said "The President is just saying what he wants to say." Asked if the President was referring the Cuba, Nessen said, "Yes, Cuba and others." He also said that "going to Puerto Rico gave the President a chance to restate some of the facts about the U.S.-Puerto Rican relationship."

Nessen also was asked for the President's reaction to the Minnesota Convention results. He indicated that he had not talked with the President about this. Pool requested that he ask for reaction but as of this writing none received. Nessen indicated he probably wouldn't have any.

(More)

Greenspan on background: On general conference arrangements he said that the summit will be less structured than at Rambouillet last November. "At the moment the agenda is loose enough," so that virtually any subject of importance could be discussed. For instance, he said, neither the Italian lire or corporate bribery were "specifically on an agenda." But, they could come up.

Greenspan insisted the meetings would be extremely useful even if a quite general communique was the result. "In the communique you do not pick up" much of the "discussions and disagreements," he said.

Asked if the statement put out by the ministers at the Organization for Economic Cooperation and Development (OECD) meeting in Paris earlier this week wouldn't be a perfect outline for a communique in Puerto Rico, Greenspan said "There's a little more to it than that. That was an agreement by the (finance) ministers...there's a big difference between the ministers' agreeing to something he added, "when heads of states agree it implies a political will..."

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Air Force One pool report by Thomas, Levine, Nokes, and Jones.

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