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THE WHITE HOUSE

PRESS CONFERENCE
OF
HELMUT SONNENFELDT, COUNSELLOR
DEPARTMENT OF STATE
ALAN GREENSPAN, CHAIRMAN
COUNCIL OF ECONOMIC ADVISORS
EDWIN YEO, UNDER SECRETARY
DEPARTMENT OF THE TREASURY

CONDADO BEACH CONVENTION CENTER

8:25 P.M. AST

MR. NESSEN: Well, you know we promised to have the President's opening statement distributed at noon today and we did distribute it at noon today. We also promised to have a briefing at 8:30 and it is 8:30, so whatever else happens here, the summit is a success in that sense.

Let me introduce you to the briefers who will tell you about the meeting and then afterwards I will come back for just a couple of logistic notes about tomorrow.

The briefers are going to be the Counsellor of the State Department, Helmut Sonnenfeldt; the Chairman of the President's Council of Economic Advisors, Alan Greenspan; and the Under Secretary of the Treasury, Edwin Yeo. And the briefing is on the record.

MR. SONNENFELDT: Ladies and gentlemen, good evening.

I just want to make a couple of opening remarks and then Alan Greenspan and Ed Yeo will get into the meat.

You have had the President's opening statement at the session distributed to you which conveys his own view which is shared by his colleagues of the significance of this summit meeting.

It has been pointed out before but it is well worth stressing again that these countries whose leaders are assembled here between them produce a large proportion of the world's economic wealth. But in addition to their economic prowess the countries in this group here represent systems of government and societies to which we are closely linked and with which we share significant values and traditions.

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Consequently, a meeting of this sort when it occurs at a level such as this should not be seen as a technical discussion per se. This should not be seen as a meeting that elevates the normal negotiations that go on all the time at various levels to the summit. It goes beyond the substance of normal negotiations and it goes beyond the technicalities of normal negotiations to the level of political leadership and political concern and that is what this meeting is about.

These gentlemen have assembled here not so much to solve particular technical problems but to demonstrate the level of concern with these problems and they are talking to each other in that vein.

The President was most pleased with this opening session. It carried on well the spirit as well as the substantiveness of the conversations at Rambouillet. There was a general sense of determination to continue to come to grips with the problems that we face, but there was also not a complacent but a satisfied recognition of the substantial progress that has been made on many of the economic issues that were discussed at Rambouillet and, of course, in many of the other institutions of which we are all members together with these other countries.

So the mood at this session was one of determination and one of confidence and very much of a sense of joint responsibility. Very much the note of these discussions has to do with facing common problems with a sense of common purpose and common determination.

Now that is something that I think happens uniquely at a meeting at the summit level. These gentlemen are political leaders, they represent their countries as a whole and that is what is reflected in the level and the substance of the discussion and so the President we just left down there a few moments ago is well satisfied that this very excellent spirit and this great sense of responsibility, sense of accomplishment has been carried over from the previous meeting to this one.

Now with that I would like to ask Alan Greenspan to go into the first of the agenda topics that was taken up today and then Ed Yeo will follow after that and we will be happy to take questions within limits after that.

Thank you.

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MR. GREENSPAN: The principal subjects discussed at today's meeting referred to the international economic scene and many of its financial counterparts. Although there were a number of collateral issues discussed, because there was a great deal of general conversation, these nonetheless dominated the overall discussion, and what Ed and I would like to do is give you the best we can the President's position on these various issues. Obviously, we cannot discuss at this point what the responses of the other heads of Government or heads of State were with respect to these issues, but that will be covered in the joint communique which will be issued tomorrow.

The President opened his general remarks with respect to the international economic outlook by commenting that when they had met last November at Rambouillet that the discussions largely centered on how to assure a balanced recovery from what was, as you will recall, an exceptionally deep recession of 1974 and 1975.

At the time, the U.S. economy was on the path to recovery, but it was not by any means clear that this was true worldwide. There were certainly a number of economies which were lagging.

He was pleased to note that today, as they were meeting, the economic climate had obviously improved and, in a number of countries, including the United States, pre-recession levels of output had been regained or even surpassed. Unemployment was beginning to recede and considerable progress had been made in reducing rates of inflation, and that the recoveries reflected the significant expansion which everyone had. There was, in effect, a set of interrelationships that were feeding on each other.

The President then proceeded to discuss some of the evidence involved which many of you, of course, I think, are quite familiar with, and he pointed out that in many respects our success in turning the recession around reflects the fact that we -- we, meaning the United States -- were able to refrain in the face of strong political pressures from instituting overstimulative measures in our economies and from imposing restrictions on trade. Both of these courses would have been shortsighted in nature and would have proved counterproductive.

The President pointed out, however, that lest we get carried away with the accomplishments of the months in the recent past that we think in terms of some of the problems that still exist for the major industrial countries and specifically those who were seated around the table.

The main problem that he pointed out that had led to the deep recession was the climate of inflation that persisted for a decade severely exacerbated by the severe oil prices of 1973 and 1974. The global inflationary climate resulted in part -- in large part, he pointed out -- because Governments overcommitted themselves to ameliorate social inequities at home and abroad and to achieve an ever-rising standard of living.

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These commitments proved to be in retrospect and in economic terms too ambitious in what they actually attempted to achieve, as well as in expectations they raised. And, as a consequence, the major task for the next several years is both economic and political, not only to restore our economies to a sustained growth path but also to set realistic goals that are accepted by the public at large.

He pointed out that the task is not an easy one but believed that we have learned from the experience of the past several years and that success is capable of being achieved.

He pointed out that perhaps the most important lesson is that inflation by itself creates recession and is thereby a major cause of unemployment and, hence, a necessary condition to restoring and maintaining full employment is to eliminate the inflationary tendencies from our economies.

He then went on to point out that another major issue was that we must pay greater attention to the state of confidence in our economies, and he pointed out what has been going on in the United States and the marked improvement we have seen, which has been a major factor engendering the recovery in this country, and alluded to conditions in other countries as well.

He then pointed out that for these general reasons a lasting turn-around in price expectations is crucial to the attainment of high employment levels. And he was most concerned, as he has said on many occasions in the past, to be double certain that our fiscal and monetary policies in the period ahead avoid the undue risks of setting off another round of inflation.

He then went through a general discussion of many of our fiscal problems, difficulties on the expenditure side, the inflexibility that we have in our budget and indicated that we must look to the longer term to basically focus on policies which will get us to a sustained, balanced economic system in the future, and that most policies must be implemented early on because it takes a fairly long time for them to be put into place.

He then went on to discuss some of the inter-relationships that exist amongst the various industrial countries and how, as I indicated earlier, he said that the effect of recovery in one country affects other countries and that therefore there is a very significant inter-relationship which exists and must be basically focused on by all nations.

He did point out a number of the problems that we do have with respect to commodity prices, and some of the difficulties which undoubtedly will exist in the future as we proceed towards the attainment of our full employment goals.

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Finally, he stated in formulating national policies the strength of worldwide demand must explicitly be taken into account. Thus, we need to strengthen our mutual understanding of changes in the economic parameters affecting the world economy.

The mutuality of our policy goals is clear. The main contribution the U.S. can make to the international economic community is to achieve stable conditions at home. In shaping our policies to this effect, he pointed out their external impact must be taken into account but such external considerations, the President stated, must not override the overall objective without which neither we -- that is, the United States -- nor the international community can regain full employment.

The President also made a general presentation on international financial matters and Ed Yeo will summarize in a fairly general way what the President indicated to the group of heads of State and heads of Government.

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MR. YEO: Good evening.

The President opened his comments by looking at the progress that has been made as a result of Rambouillet and noting that we had resolved the differences that had characterized the immediate period prior to Rambouillet, the differences that we had regarding the future shape of the monetary system. He described the blueprint for reform that came out of Rambouillet and was adopted in Jamaica by the entire membership of the International Monetary Fund.

He then described the shared analysis of the existing international monetary situation and some of the techniques for dealing with the problems that we face in terms of shared analysis. The President described the agreement that exchange rate stability, which we all desire, has its origins in the underlying economic and financial factors. This is coupled directly with his comments on the economy as Alan has described. He went on to point out that at Rambouillet and then again in Jamaica we agreed that exchange rate stability was a function, a product, of stable and expanding economies and the financial systems that are the corollary or the parallel of underlying economic stability.

He had a series of suggestions. The first that he put forward was that we all, as a matter of urgency, would complete the agreed upon monetary reform package. What he was referring to was that we must press ahead with legislation required to ratify the amendment of the IMF articles and the increase in IMF produce.

Second, he cited the value of the machinery of collaboration and consultation agreed to at Rambouillet. The President said that that machinery has enabled us to prevent exchange market problems which have emerged in recent months from becoming more serious.

Third, the President, addressing himself to the operation of the system as a whole, suggested that we must renew our efforts to eliminate persistent payment imbalances and work to maintain a tenable distribution of payment balances, both surpluses and deficits.

He concluded by an analysis of our own experience over the last 12 months citing that we had experienced a \$15 billion turn-around in our own current account; that is, we moved from a very substantial surplus, \$12 billion for the year 1975 to what appears to be a small deficit for 1976 and he related that turn-around to two factors.

One, that the United States was certainly in a position to deal with a small deficit, that it could finance it readily, that for an economy such as ours a swing from surplus during an inventory recession to a small deficit during a vigorous recovery probably reflected overall equilibrium and he related the movement of our own current account to the overall world payments situation and pointed out that this made a constructive contribution to a continued tenable payments pattern.

That is a description of what the President said regarding monetary matters. We are all prepared to attempt to answer your questions.

MR. SONNENFELDT: Do you have any questions?

Q Mr. Sonnenfeldt, has the question of assisting Italy in its economic recovery been raised?

Q Question please?

MR. SONNENFELDT: The question was whether the problem of economic assistance to Italy has been raised.

The subjects that were discussed today have just been summarized by my two colleagues and other issues obviously are being discussed on the margins but I really am not at the moment in a position to mention any of those partly because we really have not had a chance to talk to anybody about it.

The agenda topics for today were the ones that Mr. Greenspan and Mr. Yeo have mentioned and that particular topic is not specifically on the agenda for tomorrow which will, if I may just mention this, include international trade and investment, the matters of North-South relations, some of the problems of East-West economic relationships that were mentioned at the OEDC and energy.

Q I assume, then, you are not denying that it might have been discussed today?

MR. SONNENFELDT: I cannot specifically deny it because there was a profusion of discussions informally. There has been a lunch -- I mean, excuse me, dinner and there have been walks on the lawn and so on and so forth so I cannot specifically confirm or deny any one subject that you might mention and I might just as well say that it is not particularly productive for you to ask because I just can't go beyond the items that have been discussed substantively.

Q Do we have a position on Italian aid?

Q Would you repeat the question?

MR. SONNENFELDT: Is there an American position on Italian aid?

Well, the problems of the relationship of economic developments in Italy to international economic problems are always matters that are under examination in various bodies but I am not at the moment prepared to say that there is a specific position on it because the issues are complicated and they really have not arisen in that form.

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Q Excuse me, sir. The economic climate in the United States has increased since 1974. Could you please tell us to what point that this climate has increased?

Q Would you repeat the question, please?

MR. GREENSPAN: The basic question is to what extent has the recovery in the United States proceeded from the severe recession of 1974-75.

We have recovered a substantial amount of the production lost. As you know, the unemployment rate has not as yet fallen back to where it was at the beginning but employment is at new record high levels. I would best describe the recovery as yet incomplete but all evidence indicates that it will be a full recovery when it finally reaches that point which we expect within the period ahead.

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Q Mr. Greenspan, in the President's remarks, did he invite or commit the United States to any particular pattern of economic behavior in any particular goals?

MR. GREENSPAN: Well, I think that much of what the United States is doing as a responsible international economic participant has already been publicly stated in one form or another. It is fairly obvious that in our economic policy matters we clearly take into consideration the impact that such policies will have on other nations. It is not always easy to formulate precisely what these relationships are, but we, in the United States, as the President has indicated, intend to be a responsible partner because we all recognize the increasing interrelationship that exists and the common destiny that most of the democratic societies have, especially the large industrial ones.
(Laughter)

Q Mr. Greenspan, Mr. Yeo said that the President made a series of suggestions on the international monetary matters. Did the President also make any suggestions as to how he thought that the participating nations could achieve a balanced recovery?

MR. GREENSPAN: I think in the President's remarks he indicated many of the policies that we are involved in and we have outlined in many instances the basic diagnosis which our Government has of the overall international economic problem. He did not specifically indicate to any individual nation his evaluation and I doubt very much if he will.

Q Mr. Greenspan, did other countries agree with his diagnosis?

MR. GREENSPAN: As Mr. Sonnenfeldt said, I think it would not be appropriate for us at this point in any way to either directly quote or even characterize the remarks of other nations.

Q How do you know they were satisfied?

Q Could you say if either the Japanese or the German Prime Ministers responded to your analogy of the United States going from \$12 billion surplus to \$3 billion deficit? Did they respond at all, no matter what they said?

MR. GREENSPAN: Sounds like Rich Thomas, is that right?

There was no way to --

Q It is a yes or no question, sir.

MR. GREENSPAN: No, but the yes or no basically does violate the rules which I just laid down with respect to what I was about to say.

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Q Mr. Yeo, I would like to ask you a question. Could you clarify more specifically what President Ford meant by a more tenable payment pattern and did he point out the so-called responsibility of surplus countries?

Q Repeat the second part of the question.

MR. YEO: The question is, what did the President mean by a more tenable payment pattern, and did he specify any countries?

The answer to the second part of the question is that he did not specify any countries other than a review of developments in our own current account.

The answer to the first part is that in working for a continued, tenable pattern of payments he was calling attention to the efforts which are ongoing to deal with potential structural payments problems.

Q What are the potential structural payments problems? (Laughter) Could you give a definition?

MR. YEO: A potential structural payments problem (Laughter) was similar to the problem that the United States had during the second part of the Sixties when, for some years, we were running current account deficits. That is one example.

Q Mr. Yeo, for instance, are you in this connection complaining about that the U.S. Government does not have, so to speak, control over the dollar, that other countries are still deciding the exchange rate of the dollar? Is this what you mean?

MR. YEO: No. I think that I ought to reiterate what Alan said. I am describing what the President said and I gave you as precisely as I could what the President said. He did not in any way address his remarks in the frame of a complaint. He dealt with the system, and the only specific country he mentioned was the United States.

Q Excuse me, sir. President Ford asked about a matter of urgency, about the complete monetary reform. What kind of reform will the President be able to present to the United States' people?

MR. YEO: The President was referring to the package of monetary reforms that was agreed upon in Jamaica in January. It has already been agreed upon in terms of the major elements of reform.

One, a floating rate system was agreed upon. Two, an increase of one-third in IMF quotas was agreed upon. For example, in the United States to implement that in both cases requires legislation, and the President was calling for legislative action in terms of implementation of the reform package that had been designed at Rambouillet and Jamaica, and agreed upon at Jamaica.

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MR. NESSEN: Let's have two more questions.

Q Mr. Greenspan, I believe you said that the President said that Governments -- I don't think you specified which -- but they overcommitted themselves in an effort to accommodate social gains and to achieve an ever-rising standard of living, something like that.

I wonder if you could be a little more specific? What Governments was he talking about and, if you can't talk about other Governments, can you tell us in what ways the United States moved in that direction?

Q Question, please.

MR. GREENSPAN: Repeat the question, you say?

Q Yes.

MR. GREENSPAN: The question was really for an elaboration on the citation which I gave which the President made with respect to overcommitments that were made. He did not specify specific countries and I think that I, at this stage, would have to allow the statement to stand for itself, since it was not further elaborated by him at that point.

Q He made no further elaboration of that?

MR. GREENSPAN: Not in his formal remarks, and he did not make any further statements with respect to that issue today.

Q It is an awfully broad statement left standing just like that.

MR. GREENSPAN: Well, I am sorry, but I cannot go beyond what was stated. You are asking for my statement with respect to what he said.

Q It sounds as if the President says that he is opposed to a rising standard of living.

MR. GREENSPAN: I think in other areas of the President's statement and in numerous other remarks, that is clearly not his position. He is in favor of a rising standard of living and believes that that will be possible for all industrial nations and all other nations of the world.

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Q Because we don't really get the feel of what happened, President Ford opened with the statement, then what? Was there an exchange of views and how do you know there was all this wonderful spirit and satisfaction and mood and so forth? (Laughter)

MR. NESSEN: I think in that case, Helen, if I may --

Q I just want the modus operandi of how it went for three hours.

MR. NESSEN: I think Alan was reflecting the President's own reaction to the first day's session.

Q Didn't you say there was a concurrence?

Q Mr. Greenspan, may I have the next question?

Q I am sorry.

Q Wait a minute. See if we can get an answer to this one.

MR. SONNENFELDT: I think Ron gave the answer when the President --

Q We would like to know what happened after that first statement.

MR. SONNENFELDT: We are not in a position to give you a blow-by-blow account of a private session of this kind. We are trying to give you (a) the flavor of the general atmosphere and the import of it and, secondly, specifically to the extent that we can, what the President had to say. Now the rest of it, what others had to say, is going to have to come from others and the final evaluation of it and some of the issues that have been raised I think will have to come out in subsequent discussions.

Q Hal, what we are trying to get at is was there a give and take of any kind or did they just all sit around and make speeches at each other?

MR. SONNENFELDT: No, no, of course not. Let me just explain that, as at Rambouillet, the understanding is that as a particular comes up, one of the heads may lead off, is prepared to lead off, just to kick off the discussion and then once that has happened there is quite a free exchange of views.

Q May I ask a simple question?

MR. GREENSPAN: Excuse me just a minute. There was in fact quite extensive discussion on a number of issues but we cannot specify.

MR. SONNENFELDT: We are holding up other briefings so if we can really keep it --

MR. NESSEN: Let's take these two and then wrap it up, and I have just a couple of things for you.

Q My simple question is this: In your report, the respective reports of what was said, I didn't hear a thing that you had not said and said and said, and it is absolutely, you know, as familiar as it can be. Now I think what everybody is interested in is what is the purpose of this meeting? Why are you here aside from this tonal atmospherics at such enormous expense? Can you really say what this meeting is about?

MR. SONNENFELDT: I think it has been said numerous times, and the fact that it has been said again and again does not invalidate it -- you know, there are some things that can be said again and again and still remain valid even so. (Laughter)

I am responding to your comment. No, I mean, it is obvious that economic developments have moved on in the last several months since Rambouillet. There are many issues on the table. These are obviously being discussed but they are being discussed by political leaders rather than only by ministers responsible for a particular segment of a Government. So that is what they are here for and so, you know, I don't think that there is any great drama attached to it nor is there any great mystery attached to it.

Q Mr. Nessen, may I ask my question now, please?

MR. NESSEN: Please.

Q Was there any discussion or will there be any discussion as to a strategy in the event that the OPEC countries unfreeze oil prices?

MR. GREENSPAN: The question of energy was not on the agenda today, it was not discussed, and it may be discussed tomorrow. We will have to tell you at that time.

Q Thank you.

Q Thank you.

MR. NESSEN: Now, let me give you the good news. All those who thought they had to assemble at 7 o'clock for the pool to Dorado tomorrow morning will be happy to know that they don't have to assemble until 10 o'clock. The pool is going to leave later.

And the 6:00 to 7:00 a.m. baggage call is changed to a 9:00 to a 10:00 a.m. baggage call.

As we have said before the final statements by the leaders will be piped down here and will be piped through a mult so you can record them here. We will try to help as much as possible with translations. I can't be very definite in what we will be able to provide, but we will do the best we can on translations.

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As far as a final communique out of the meeting and what time it will be available, I can't give you a precise time now other than to say that we will get it down here, reproduced and distributed as quickly as possible tomorrow.

And unless there are questions, I think --

Q Does this mean there is no morning meeting or --

MR. NESSEN: There is a morning meeting but there was no plan for a pool picture of the morning meeting, so it was thought why not let people sleep in a little.

Phil.

Q Did the President make this long statement or did this come out throughout the three hours, or whatever?

MR. NESSEN: Which was that, Phil?

Q Everything that they said he said.

MR. NESSEN: No, it came out throughout the length of the meeting.

THE PRESS: Thank you.

END (AT 9:15 P.M.. AST)