

FOR IMMEDIATE RELEASE

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(Dorado Beach, Puerto Rico)

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THE WHITE HOUSE

PRESS CONFERENCE  
OF  
WILLIAM E. SIMON  
SECRETARY OF THE TREASURY

DORADO BEACH CLUB

2:25 P.M. AST

SECRETARY SIMON: I thought I would just come over here and respond to any questions you might have on any of the topics that we have discussed.

Q I wonder if I could start it. Could you single out the one issue that you think is the dominant issue that you have been concerned with during this meeting?

SECRETARY SIMON: I would say the major issue was the first topic that we discussed, and that is the whole subject of the sustainability of the economic expansion that is underway in all of our countries and the so-called, at one point, not in these sessions but in the past, these so-called alleged trade-offs between unemployment and inflation which we don't believe exist. Indeed, both are interdependent and it was inflation that caused the unemployment, and excessively expanding the economies at this point -- you know, the entire discussion -- and that took a fair amount of time in this general agreement, and understanding on this issue as well.

Q Do you think continence is the biggest result at this conference, concretely speaking?

SECRETARY SIMON: Well, you know, this goes back to what we said at the press briefing in Washington initially; that to expect per se hard news out of this summit meeting would be wrong; that with the myriad of problems that the world leaders face today it is indeed unusual for them to sit down and discuss possible actions that might be taken in the future in attempting to foresee certain events, an ability to act rather than to react, as President Ford said initially. So again, talking about hard news would --

Q Then, there are no agreements as such?

SECRETARY SIMON: By agreements, we talked about lots of things -- the specifics of our Jamaica Declaration where in the communique -- I don't remember the exact language -- we spoke about assistance over and above the assistance that is provided in the international monetary fund, the whole idea of a super-tranche with very stringent conditionality attached to it.

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Q For whom? The developing countries?

SECRETARY SIMON: It would depend how it was implemented. If it was implemented with the general arrangement to borrow, that would be for the participants in the general arrangement to borrow, which is primarily the developed countries. We have an ongoing appropriation in the Congress of \$2 billion for the GAB. This is one method that could be used. So, there are others and we discussed the possibility of those in temporary -- and I underline temporary -- need of financing for a transitory nature while they put their economic houses in order.

Q Would that be --

SECRETARY SIMON: There again, it would depend on (a) the country in need and (b) how it was structured. If it was the general agreement to borrow, yes, it would, because it was a developed country.

Q And that would work for Great Britain as well?

SECRETARY SIMON: Yes, that is a developed country as well, sure.

Q Any difference of opinion on the problem of inflation; that is, how much of a problem it is versus how much of a problem of unemployment some of these countries still face?

SECRETARY SIMON: Obviously -- a couple of things. Number one, there is absolutely no disagreement on the problems of inflation and for this period of the recovery the inflationary rate that exists today and the outlook as the private pressures grow, as the expansion continues, this is our number one threat. But the real discussion centers on policies that are compatible with the inflation risk and yet continue to bring the horrendous rate of unemployment down in each of our countries.

Q Has the United States made any offer to help Italy out of its problems?

SECRETARY SIMON: No, the United States has made no offer. We discussed, as I say, the possibility.

Q The possibility of what?

SECRETARY SIMON: The possibility of what I just described over here -- the general agreement to borrow and the super-tranche.

Q Did the President lecture Britain and Italy? You talked of putting the houses together.

SECRETARY SIMON: Absolutely not. No, absolutely not, Helen. There is no lecturing. We all share common problems in certain countries. It is a matter of degree.

Q Well, what do you mean by putting your houses together?

SECRETARY SIMON: There is a conditionality involved in borrowing from the international monetary fund which sets specific economic policies to be put in place to attack the causes of the problems rather than the results of the problems, because obviously any balance of payments assistance, temporary assistance -- and it always is temporary short-term loans -- given to a country in the absence of the adoption of proper economic policies' throwing money down the drain, so this is what we --

Q There have been some suggestions that what the President's real theme was here was to give these leaders a little lecture on "go slow" Republican economics. Is this what happened?

SECRETARY SIMON: I don't think that we can call it Republican economics. I don't know that the OECD and many other international bodies can be described as being Republican. When one looks at the future as far as excessive expansion of our economies which will weaken inflation, as it has done twice before in the past decade, this has been clearly the theme of the United States, that it is echoed by others as well. What the difficult part is is how to quantify what degree of expansion in the various economies and the capacity problem that we face, the bottlenecks in certain industries that we are going to be experiencing in the months ahead.

Q So was the message slow? They are not trying to hammer it?

SECRETARY SIMON: That would have been the first topic of discussion, of the moderate policies that are going to promote a sustainable expansion in our economy.

Q Mr. Secretary, was there any discussion of the East-West trade and the possible use of that to extract political benefits?

SECRETARY SIMON: Oh, no, no. We discussed East-West trade, certainly, and the export credits -- you are all well aware of the guidelines of the Export-Import Bank and the general consensus that we are trying to reach on export credits and avoidance of a credit war. Yes, we discussed that.

Q The American proposal before we were ready to leave last week did indicate that there might be some political benefit to be expected from the proper use --

SECRETARY SIMON: No, it would appear that those proposals, primarily in Henry's speech, raised a lot of questions, and a proper analysis has not been done. The growth and the debt of Eastern European countries, including the USSR, what the outlook is in the future, what their deficit financing may or may not be, you have to make some assumptions on what their harvest will be, the price of gold and other --

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Q So this has a bearing pretty much on what direction you might go?

SECRETARY SIMON: Yes, we certainly wish to promote East-West trade. It has been our policy. There are clear benefits for all. To invoke an economic and a political sense as well to create a community of interest, if you will, among the business and political leaders of the world I think is important for world peace.

Q Among the discussions on commodities, Mr. Secretary, was coffee specifically mentioned in those commodity discussions?

SECRETARY SIMON: Not specifically. We really didn't talk about a particular commodity. We talked about a range of commodities and the various proposals to assuage the violent fluctuations in commodity prices and how that can be best helped, and I think the United States' position is well-known on that, that we will talk about commodities on a case-by-case basis, but we have fundamental disagreement with anyone who suggests mechanisms which would distort the normal functioning of the marketplace.

Q Do you have a feeling that the French will be forthcoming in terms of the North-South dialogue, that we will have a common --

SECRETARY SIMON: Oh, yes. Well, actually when the meetings starts again in 15 minutes they will be continuing the North-South because that is a very important dialogue.

Q Bill, has the Italian Government come in with any specific proposals, requests or subjects for discussion on its own position?

SECRETARY SIMON: Well, they have made statements and they have made several interventions, but I would say as far as a specific proposal, no.

Q It seems to me the most important agreement to come out of this is going to be the agreement to hold down inflation and to their recovery from recession, but that the United States realizes each country must decide how to go about that.

SECRETARY SIMON: Yes, I would say that that is one of the most important and a recognition that really everything else we discuss almost follows this, and all of the disruption of not only our economies that inflation creates but also the social instability, and this is the understanding that is beginning to sink in around the world, that when we talk about these issues we are not talking about narrow issues of economics, we are talking about the fundamental issues of equity and social stability all over the world and that is important, so we don't want to make the same mistake we have made twice in the past ten years.

Yes.

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Q Aren't you talking also here about the political impact of each government on economics, and in that case was there any question raised by any of the delegations or any thought given which would change an American economic policy if there is a change in the American Government next year?

SECRETARY SIMON: No. I can truly say that that was not even brought up in quiet conversations or side bar conversations --

Q Is that because they don't think it is going to happen or because they are too polite to raise the question?

SECRETARY SIMON: Perhaps a little bit of both. Most of the ones I spoke to are interested in our primary process and the rest and they find it incomprehensible to believe that President Ford would not be reelected as an incumbent President seeking reelection.

Q It hasn't been a major question, has it?

SECRETARY SIMON: Yes, it has, because I think it is worth it, if you will, for the world leaders to sit down and have a better understanding of how we as individuals, consistent with what you said, are attacking the problems.

Q Mr. Secretary, you say that this is all worth it and what is wrong with these leaders getting together, yet there is a great deal of skepticism reflected in our questions. Back home one of the Reagan strategists said that the American people have watched Presidents go to summits for years, nothing ever happens, they are sick and tired of it. Isn't this really the skepticism overshadowing a great deal of what you may think you have accomplished.

SECRETARY SIMON: I would hope not but I would say that that is a possibility because we are in a more cynical period in the United States and around the world than ever before where all of the leaders in the world -- their capacity as leaders are being called into question by their people. This is a phenomenon that I wish I knew the answer to, bringing us back to some degree of our senses and the optimism that usually characterizes the American people, but after the shocks they have experienced in the past ten years I would not expect that to happen very quickly.

I can see the charge, especially in a heated primary campaign and election year, a charge of politics, but again I ask people to sit down when we are talking about East-West trade and energy and the all-important inflation-unemployment issue, and we are talking about trade issues and investment issues, the MGN and the rest -- I think that those issues clearly warranted the leaders getting together to discuss it but I don't expect that I will be able to disabuse the charge of politics.

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Q But you find the charge unfounded?

SECRETARY SIMON: Yes, I give you my honest opinion, Helen. I do, because we worked --

Q Will there be anything in the joint statement that you are not covering now, any blockbusters or anything like that?

SECRETARY SIMON: No, not that I know of, Helen.

Q Will price stability be in the communique? Certain conference sources, at least one delegation briefing last evening, suggested there absolutely would be, but it would not be called by that name.

SECRETARY SIMON: When we talk about price stability, we are talking about inflation?

Q Well, a pledge for all countries to --

SECRETARY SIMON: Well, I don't remember the term "pledge," no.

Q Well, is there a conference "pledge," or whatever you call it?

SECRETARY SIMON: I would not say it is a pledge. The nations are resolved to maintain the expansion -- to help balance the expansion we have underway and to bring down unemployment as rapidly as possible. Now, you can use the econometric models, as you have so often, and say, my goodness, this growth rate means you are still going to have unemployment of X by 1980. I don't happen to buy that. I think the Phillip's Curve, as we all know, has been discredited as has Elkins's Law, on the growth. The fact that we put 3,700,000 people to work in the past year, from the drop of the recession to today, I think is extraordinary and we can get back to what we will define as full employment.

Q How would you define full employment?

SECRETARY SIMON: I define full employment in two ways: One, all those willing and able to work have a job; and number two, everyone recognizes -- although politically they have never been willing to face it -- that the full employment rate that was set in 1946 in the United States at 4 percent no longer is warranted due to the change in proportion in the labor force -- women, teenagers and the rest -- and today most economists are in the 5 to 5-1/4 percent.

The misconception that gets generated is that the same 5 million people are unemployed constantly, or whatever the number is. It is not. The turnover is extremely rapid, those leaving and entering the labor force.

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Q We are talking to the Europeans, and Japanese also, about moving down inflation. Don't some of the Europeans feel they have done more to curb the use of energy and thereby hold down increases in energy?

SECRETARY SIMON: I would say so, and I would also add to that that I agree with them because the largest number focusing on our energy policy in the United States has been in the last 10 years. I am talking 10 years because that is when we started to focus on it.

Q Can you give any information that the British are about to cut their public spending for next year?

SECRETARY SIMON: I think you better ask the Brits that. I will give you my impressions about the United States -- I can get in enough trouble that way.

THE PRESS: Thank you.

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(AT 2:40 P.M. AST)