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Department of Treasury

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Remarks of:

The Honorable G. William Miller,
Secretary of the Treasury

Before the:

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(Transcript prepared from tape furnished by the Agency)
SECRETARY MILLER: Thank you very much, Mr. President. Members and guests of the National Press Club. We're meeting today when inflation is the topic of the day. It's the subject on the lips of all Americans, it's the subject on Main Street, in homes, in offices, in factories throughout the nation; because inflation is our most serious problem.

On March 14, President Carter launched an intensified campaign in the continuing war against inflation. Rapid changes in world events and economic prospects had made it necessary for the President to act decisively in countering heightened inflationary expectations, which were contributing to the disturbances in financial markets. It is very difficult to identify the exact event that triggered the rush early this year to spend and to borrow. It may have been the Soviet invasion of Afghanistan, with concerns about instability in Southwest Asia, and additional demands upon the Federal budget; it may have been the price indexes which reflected the large increases in oil costs and in home financing charges. It may have been the unfounded rumors that we were on the verge of wage and price control that set off anticipatory reactions of various kinds.

But whatever the cause, there was an unexpected surge of credit demands and of spending actions. The
expected slow-down -- expected by almost all economists--just did not materialize. It was, therefore, necessary for the President to act promptly and forcefully on the realities of economic behavior, undeterred by whatever may have been the expected outlook last December.

Inflation is our most serious problem; it is a threat to the economic security of our nation, and to the world. And because our total security depends upon a strong and productive economy, inflation is a danger to our nation itself.

The war against inflation is not new. For the past two years, the two years that I have been in Washington, the Administration has been busily engaged in mobilizing an array of policy weapons to carry on the battle. Our purpose has been to strike at the root causes of inflation, rather than just attacking the superficial signs.

This has meant persistent efforts to impose greater fiscal restraint, to maintain monetary discipline, to assure a sound and stable dollar, to seek moderation in wage and price decisions, to forge a comprehensive national energy policy which will reduce our dependence upon foreign oil, and to address the structural problems which impede economic efficiency and progress.

The President's new initiatives will reinforce
and intensify these policies by introducing greater disciplines in five areas. First, by balancing the budget. Second, by restraint on credit availability. Third, by improving the voluntary program for wage and price moderation. Fourth, by greater conservation of energy. And fifth, by structural improvements to make our economy work better. Wherever possible, the President has taken immediate action on his own authority, on areas that could work immediately. In areas that require congressional action, particularly in balancing the budget, the President's proposal has been developed through close consultation with Congressional leadership.

Let me briefly review some of the major elements of this intensified activity. First the budget. A balanced budget in FY 1981 will mean the first balanced budget in 12 years after 20 years of only one occasion of having a surplus. During the 12 years since the budget was last balanced, the United States has built up one half trillion dollars of federal debt to pay for the cumulative deficits. And so it is an important turning point, an important watershed for us to reverse a long period of two decades of living beyond our means and financing the federal deficit, financing the federal spending through borrowing, for us
to now face up to, and to achieve, a balanced budget.

There are certain principles that we will pursue in achieving this balanced budget. The first is that the balance will be attained through spending and program reductions, and not through additional revenues. Because there will be some additional revenues from such sources as the gasoline conservation fee, this means that the revised budget that will be presented next Monday will show a surplus.

A second principle is that the reductions that we must make in spending and in programs will be spread widely over the budget areas. Austerity in federal spending will be fairly shared; no area will be asked to bear an undue burden.

A third principle is that, we are committed to maintaining, in full, the essential government services. We do not intend in this budget reduction to cut into the very necessary programs that make our government go and serve the American people.

A fourth principle will be that we will protect those in our society who are most disadvantaged and most in need. We will not balance the budget on the backs of the poor and the indigent.

A fifth principle is that the President will present a budget that will be sustained. That will be
approved by Congress. The purpose is not merely propose, but to fulfill and implement the concept of a balanced budget. Therefore, the procedures for developing this program have involved delay. It involved extensive consultation with Congressional leadership. This was a historic event. Never had members of the House and Senate and the Administration sat in such long sessions over such an extended period to hammer out and determine a consensus for achieving the reductions that will bring about a balanced budget. We spent eight consecutive days, and over eighty hours of consultations in order to achieve a budget that can be presented by the Administration with great support in the Congress.

A sixth principle is that, in balancing the budget, the President will not consider any tax cuts until the balanced budget has actually been achieved or approved. Tax cuts, even meritorious tax cuts, must be earned first by demonstrating our commitment to fiscal responsibility. It's too easy to fall back into the easy course of giving away money before we are able to put in the disciplines of fiscal restraint.

Now the effects of balancing the budget will be analyzed in various ways. I think it is important to remember that balancing the budget is not an isolated part
of the war against inflation. It's part of a larger pattern, a larger array of weapons that is necessary to carry on this war. It is important to balance the budget, not only because of the reductions in spending and the demonstration of our ability to contain spending, but to restore the confidence of the American people that their government can live within its means. That is the only way we are going to change expectations about inflation, and change behavior patterns to support a non-inflationary program.

The reduced credit demands from balancing the budget are significant. We are now in a period which approaches tax day in 1980, April 15, when all individual taxes come due. And during the period of the next few weeks, we will be sending out large amounts of money to Americans as tax refunds. And during that period, we'll have to borrow some money in the credit markets. But from April 15 on, the federal government will have very little demand for the rest of FY 1980 in the financial markets. And by balancing the FY 1981 budget, we will very substantially reduce those demands for the following 12 months. So we can look ahead for 18 months of a very significant reduction in federal government demands in financial markets. This is the way in which we can relieve the pressure
on those markets and hasten the day when we can turn to
more normal conditions and more appropriate levels of
interest rates that will sustain the normal activity of
our economy.

So this balancing of the budget is to be looked
at not only in terms of the reduction of spending, but
also in terms of its contribution over the next 18 months to
a reduced demand of the federal government for borrowing
and, therefore, a very much improved condition for capital
to be available for small businesses and farmers and the
enterprises that create the investments and build the jobs
that are necessary for our economic progress.

The second area I want to comment about, briefly,
is the area of credit restraints. The action in this area
was taken by the President under his own authority, and by
the Federal Reserve under its own powers. The actions by
the President were intended to strengthen the Federal
Reserve, to give it greater capacity to deal with the
growth of money and credit within the banks and depository
institutions. The Fed has been authorized to extend some
of its normal techniques for control to the nonmember
banks, and therefore, to become more forceful in its effort
to restrain excess credit.

But beyond that, the President activated the
Credit Control Act in order to give the Federal Reserve the capacity to restrain credit in areas where it was bubbling up and surging beyond a healthy level. We, of course, did not touch the areas of the economy that are already weak. There are no new restraints on lending for home mortgages. No new restraints on lending for purchase of automobiles, an area of the economy that is weak.

But there is restraint at the margin on continued use of consumer credit, and continued use of certain kinds of intermediaries that are draining resources out of the normal flow of funds. The President acted, and the Federal Reserve acted, to apply the most flexible method of controlling credit. The actual restraints deal with marginal requirements for reserve deposits on the further growth of these credits. There was no restraint on the outstanding credit balances. It's merely that if the credits grow further, it will be less convenient. And the decision was to do this in a way that left it to every financial institution to decide whether it wanted to merely take this inconvenience, make these deposits, or whether it wanted to restrict its own activity. There is no restraint on an individual account. There is only a requirement that each institution adjust its activities in credit extension to take account of this necessary restraint.
And the Federal Reserve also acted to establish a special credit restraint program with all of the major banks they deal with, encouraging them on a voluntary basis, to help in this effort to dampen the excess demands and to take the pressures off the financial markets.

A third area that I might mention is the area of energy. There is no way that we are going to solve the problem of inflation, long-term, unless we deal with the issue of energy. For historic reasons, we have come to the point where we are far too dependent upon foreign oil. We now have 45 percent of all of our oil coming on a very fragile, thin, uncertain supply line from parts of the world that are not secure. And that dependence in our economy is a very serious threat to us. We must move as rapidly as we can to reduce that dependence on imported oil. For three years, this nation has been engaged in an extensive debate to change 40 and 50 years of policy, and to shape a new national program on energy that will hasten the day when we are more more self-reliant, less dependent on foreign sources. The programs and the priorities to do this are extensive, and they are beginning now to move rapidly through the Congress, so that we're on the verge of seeing this major new policy put into place.

This is important for many reasons, but if any
would be illustrative, it is merely to point out that in this year of 1980, we will send 85 billion dollars abroad to pay for oil. And in 1970, we sent 3 billion dollars abroad. And if in 10 years that kind of increase continued, it doesn't take much analysis to see how difficult our path would be. By 1990, that's got to be reversed, and it will be, under the programs that have been worked out in the coalition between consuming and producing parts of our nation aimed at changing the directions that have guided us in the past, but need to be adapted to this changing environment.

In order to accelerate the incentives for conservation, the President acted upon his own to impose a gasoline conservation fee that will increase, starting in May, the price of gasoline by 10 cents per gallon. This obviously is not popular. It would be better for the President had he passed by this opportunity. But he has determined—the Administration has determined—that we must work on the most discretionary part of our energy use, and that is the use of motor fuel. There's the place where we can do the most to save. And that is the place where we've targeted this charge, so that we can create the saving, initially, of 100 thousand barrels a day, and over the next couple of years, to be saving some 250

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thousand barrels of oil per day. We also intend to propose to Congress, that this particular charge be incorporated into a new advalorum gas tax that would include the present four cent tax, plus the ten cent tax, and become a permanent part of our system of restraint.

Gasoline in the United States is selling far below its price almost everywhere else in the world, and most major countries have taxes that run from 75 cents to a dollar and a half a gallon, while we're paying less for our gas than the tax in most European countries. They have imposed those taxes to create restraint, and we need also to take steps in this direction. This will not be popular, but it is necessary, and we hope that everyone will cooperate, and redouble their efforts to spend no more for gasoline by using 10 percent less. It costs no more, and everyone can enjoy the same standard of living.

The program involves other elements, but I will not take your time to outline them, because I believe most of you are familiar with the other activities that we are intensifying. I merely want to point out, that this program is powerful, it is tough, it will impose some pain. It will be seen most quickly in credit restraint, it will be seen quickly in the gasoline charge; but the effects of the budget action will become also very powerful as they
begin to reduce the government presence in financial markets. But, tough as the program may be, and painful as it may be, it is fair. It is not asking anyone to share a burden not shared equally by all Americans. And whatever transitory inconvenience there may be, will be far outweighed by the greater benefit we all will receive by beginning to unwind inflation, and return to the kind of price stability that is the only way that we will have real incomes and real values and real progress in our economy.

The war against inflation will not be won quickly. It will not be easy to win the war. And the war will go on for a number of years. The President's announcement on March 14 is not putting inflation to bed. Its part of the continuing war, it's part of the continuing campaigning There will be other features, other initiatives, there will be adjustments, tactical adjustments as there are in any war. Fielding an army doesn't win a war, putting the army in the field is only the beginning of a campaign, and there will be advances and offensives and there will be setbacks and there will be action. But what is essential is that we keep our purpose, that we maintain our consistency, and we not be deterred from the ultimate purpose of winding down inflation, which is the only way that we can assure to all you and to all Americans and to all of the world, the
outlook for peace and prosperity that is our ultimate goal.

Thank you very much.

MR. : As you can imagine, we have a number of questions that came up, the first is, Mr. Secretary, if the accumulation of half a trillion dollars in national debit is so bad, why in the world has the Carter Administration supported two tax cuts in the past three years, and why would you ever consider a tax cut after the fiscal '81 budget is put into balance?

SECRETARY MILLER: This question was intended for Pavarotti, obviously. It's been misplaced.

The answer is that when the Carter Administration first came into office we were suffering from the greatest recession that we had had since the Great Depression of the '30's. We had been at a level of almost nine percent unemployment. I think when the President was inaugurated, it was still over eight percent. And the economy needed to get going again in order to avoid the continuation of accumulated deficits.

The results of the Great Recession of '74 - '75, was that the year before the President took office the deficit was 67 billion dollars-- the largest deficit we've ever had in peacetime. And if it would have been helpful to continue that process rather than getting the economy
going, I'm sure the President would have considered it. I was not here at the time, but I think the first priority was to get that deficit down by getting jobs and getting incomes and tax receipts up rather than to continue to drain the economy of its productive capacity. Once that had happened, then we must move as rapidly as we can toward the concept that in normal times when the economy is operating normally, we should be in balance. If we have a recession, we will go into deficit, if we have a boom, we should have a surplus in order to bring us back to normal And that is the philosophy we must return to after 20 years of believing that it should just be deficits. And there should be a normative period for balance, there should be deficits, and there should be surpluses.

QUESTION: Two questions along the same line.

If you are confident that after April 15 the federal government will not have to borrow new funds, will that then result in the interest rate dropping, and, if so, how soon do you see the interest rate dropping?

SECRETARY MILLER: Let me take the opportunity to thank you for the question, because I hope I said that we would have less credit demands after April 15, not none. For the balance of FY '80, I suspect we'll net out with--we may borrow from month to month a little--but it
will net out with very little demand for credit. And then, in FY '81, over quarters there may be variations, but over the whole year there should be very little demand for credit. I hope you won't write zero, but write low. And the answer to that is yes, over time that reduction of demand in credit markets as against the supply of resources, means that like any other supply-demand equation, pressures would come off and one would expect that as the demands of government abate, as inflation abates, interest rates themselves will begin to come down. When and how much, I've learned a long time ago not to predict, because everybody runs for the phone and we lose the audience and then you don't have anything to talk about.

QUESTION: Will the Administration actively oppose the House Budget Committee's to set aside funds for a tax cut?

SECRETARY MILLER: The President is firm in his conviction that we should not consider tax cuts until we have a balanced budget in hand. And, in that sense, the non-binding actions of the Congress to indicate that, in due course, funds that are in surplus might be used, are, I think, merely statements of hope and purpose and are not binding. I don't think it's inconsistent for the Congress to have that hope and that expectation someday, and
for the President to say, but not until we have together, 
the Congress and the President and the Administration, given 
the American people a balanced budget. We must earn our 
way toward the time when we can begin to relieve the burden 
on American people, which we must do and we want to do. 
But we can't mislead people, there's no way to have a free 
lunch, and we've got to keep the discipline upon ourselves 
to hold down spending before we take the dividends and the 
rewards.

QUESTION: What sacrifices and pain will the oil 
companies in the United States be expected to sustain, 
along with those of the people in this country?

SECRETARY MILLER: Well, today, after what seems 
like six years of work--although as I recall it's six months, 
it seems like six years of my time--the Senate passed the 
windfall profits tax by 66 to 31; and I guess now we will 
have that bill on the Presidents desk. There may be diff-
erences of opinion about that bill, but it does represent 
a very important policy decision of the President, which 
is correct. That is, we must recognize that we cannot 
suppress the real values of energy, because we will supress 
the production of energy if we try to artificially hold 
down the prices for oil and gas.

So the President has acted to de-control the
domestic price of oil over the period between last June and September 1981. That means all those who are producing oil would be able to get higher prices, and that would create a windfall, not from their prior decisions and investments. The whole purpose of this tax was to fairly share that increased revenue with the national interest, so that, some of those revenues can be used to reimburse poor people who cannot afford to pay the higher price of oil. Some of it will be used to finance the development of unconventional sources of energy, to begin to build our domestic alternative to imported oil. And some of it used to support conservation, public transit, and the conversion of utilities from oil to coal.

We asked for more. The Congress in its actions has resolved it in a way which we believe accomplishes the substance of what we sought to achieve, and I believe this is a great victory for the Administration and for the Congress and for the American people to have a fair sharing of these resources so that we can accomplish the broader purposes. The oil companies, therefore, are going to be asked to share, and not to merely benefit. And we are going to expect them to reinvest all of their available resources to help build American independence in energy, and to reduce our dependence on imported oil.
QUESTION: You said on Face The Nation that the inflation rate in 1980 would average 11 percent. In light of the latest CPI figures, do you still believe the 11 percent estimate is realistic, and if so, could you offer a general rundown of how we can average 11 percent?

SECRETARY MILLER: The increased inflation that we've seen in the first part of the year is very much influenced—as you've noted in the reports out this week for the CPI for February—has been very much governed by increases in oil and energy prices, and increases in the home financing charges, higher interest rates on mortages, if you will. Both these factors should be slowing down.

We've had in 1979 the greatest increase in oil prices in history. In fact, through all of the history of using oil, oil had gotten, by the beginning of 1979, to 13 dollars a barrel. And in 14 months it's gone up 18 dollars a barrel. So while it had grown over all of the history of oil up to 13 dollars in 14 months it went up 18 dollars per barrel more. And that's what is showing up in all of these inflation figures. We do not believe that that rate of increase will continue. We believe that there will be a much smaller increase in world oil prices this year, so that those factors, as they work into our economy and show up in all of the prices of energy, and finally show up in all prices, will begin to wear down.
We believe the pressures in the credit markets will be relieved later in the year, and that interest rates will not contribute to additional increases. So we believe that that sector also will begin to give us some relief. In the meantime, major areas such as food have been in a very neutral stance. We have not been having the large increases in food that we had a year ago. So we're getting some relief on the food that was the main factor maybe four or five quarters ago, and now we're going to see some relief from these other areas.

And, as there is generally a damping in economic activity and a slowdown in the economy, we think that all prices will begin to stabilize. It appears in our working on a dynamic review of the economic outlook, that it is quite possible to target—and I said on Face The Nation we would try to target in that direction, I didn't promise that we would achieve—but we do believe that it is realistic for us to target for an 11-12 percent rate of inflation, measured by the CPI for this year, and that we will be back in single digit inflation numbers in 1981, if we don't have any more international events that interrupt the progress. We always have to hedge that view, because if there is some change of government, some shutdown of oil production, some
disturbance, some war, this could all be changed. But on the present circumstances, I think it is quite realistic because of these factors, these special factors that have driven up inflation, will begin to abate, and I think we will see some relief, although inflation will continue at a completely unacceptable level. And our job beyond 1980 and 1981 is not just to get down to 11 or 12 percent and then on to single digit, but to keep the pressure on, so that over four, five, six, seven years, we bring it down and finally make it a commitment of this nation to have inflation as near to zero as it can possibly be maintained.

QUESTION: Your comments about the international scene lead into the next question. If additional economic sanctions against Iran were considered desirable, what measures might be candidates for effective action?

SECRETARY MILLER: Well, as you know, the UN resolution was vetoed that would have had an international program of sanctions against Iran. Because of developments since that UN vote, which looked like there were various channels and promising prospects for some movement in dealing with the hostage issue, this subject of sanctions has been laid aside. Now that there has been some disappointment in the recent initiatives, I suspect this will have to be reviewed. But I believe it would be more
appropriate for it to be dealt with by the President and
the foreign policy advisors rather than for the Secretary of
Treasury to announce foreign policy here today—although
I'm always happy to do that if I have the opportunity.

QUESTION: In the interest of national and economic security, if voluntary restraints are not adhered to,
will we have price and wage controls by 1981 or by when?

SECRETARY MILLER: We will not have mandatory
wage and price controls—period! We are irrevocably committed
to avoiding mandatory controls for a very simple reason:
they don't work. They don't work in peacetime, they never
have, and they never will. What happens in a complex
economy like ours, if we should put in wage and price con-
trols, is in the first place, we can't control food production.
Never have been able to. Second is, I don't think OPEC
would abide by it. And that's a little bit of a leak in
a dike. Third, those kinds of commodities that are sale-
able in the world, if their price is restrained here, they
will be sold elsewhere, and we'll be denied products. You
create shortages, you begin to have disruptions—and this
happened in '71 and '73 when we had controls.

We had shortages of fertilizers because they were
being sent abroad. In '71 coal companies wouldn't make
contracts with utilities because they didn't know
whether they would be frozen at some unreasonable price for coal. So utilities couldn't build extensions of their plants, and you had shortages there.

There was a liquidation of beef herds because ranchers couldn't make any money. And so we're paying more for beef today than we would have if we had not had controls in '71 and '73. And it's very nice to do it for short term and give the illusion of controlling inflation, because it looks good for a period. It would be very convenient to go through an election date with controls, but it would do irreparable damage to the economic fabric of our nation, and that's not the way we are going to operate this economy.

QUESTION: Has the Treasury decided to completely forego gold sales, even in the form of coins, as Representative Reuss has proposed, and also, should Ronald Reagan's consideration of a return to the gold standard be an issue in the campaign this year?

SECRETARY MILLER: The Treasury does not forego its right and privilege, and possible action from time to time to sell gold. As you know, Congress did require the striking of a certain number of medals which will be on sale, when did they say, next summer—it starts in June, Bette, thank you. Starting in June, there will some gold
medals that have been authorized by Congress. In terms of coins, we do not favor going in that direction, but from time to time we may, when we feel it appropriate, sell gold. We don't forego that possibility.

I don't think the gold standard will be an issue in the campaign, unless Governor Reagan makes it an issue. And, it may be helpful to the President if he does.

QUESTION: If the oil companies are to be taxed for windfall profits on higher prices, does the Administration intend sometime in the future, to tax homeowner's on the windfall gains in housing prices?

SECRETARY MILLER: No.

QUESTION: Do you expect, in return for Administration and Congressional effort to balance the budget, that the Federal Reserve will be less restrictive than it otherwise would be on credit?

SECRETARY MILLER: The Federal Reserve will have to continue to be prudent in endeavoring to restrain the growth of money and credit. The growth of the money aggregates should be appropriate to the progress of price stability in the economy. As a result of balancing the budget and relieving pressures in the financial markets, the job of the Federal Reserve will be much easier, and the pressures will be somewhat less. However, there is no
quid pro quo, because the Federal Reserve has to work within the environment that exists from time to time, and that will be part of the total fabric of our economy. But there's no question that as a general proposition to the degree that we have greater fiscal responsibility, and greater fiscal restraint, there is correspondingly, less pressure on the monetary system.

QUESTION: If gold fell below 500 dollars an ounce today, and will it continue to drop, and drop below 400 dollars, do you believe?

SECRETARY MILLER: Will Rogers is a great American hero, and he said, "These kinds of things, they will fluctuate." Gold has been erratic, and it will probably will continue to be so, because of the very nature on which the gold market operates. I think it would be unwise for me to predict, and if I did I would be wrong; and I'd rather be right, so I will say merely that probably there will be changes in gold prices from time to time.

QUESTION: How do you foresee budget cuts affecting existing social programs, particularly the disproportionate effects on minorities and disadvantaged groups?

SECRETARY MILLER: I believe that the budget cuts that are in process, the expenditure and program reductions that are being approved by the President, will have minimal
effect on those who are disadvantaged, those who are distressed in our society, and the effort is being made to sustain those programs which go those least fortunate in our society, most in need of help.

We are going to maintain the youth training employment program, we are going to maintain the basic social services, we are going to tighten up on waste and areas where we can merely be more efficient, and we are going to deal with programs, many of which are worthwhile, but which are less directed toward these constituencies, and those who are in most need of help. I believe the budget, when you see it on Monday, will be very responsible in this regard, and I think that we will see that great effort has been made to share, to deal with the matter on a basis that fairly shares the burden, but which does not direct any burden at all who are at the scale where they need our help and need our assistance.

QUESTION: I think this question came from a government employee. It says, with the CPI going up at a current 18 percent annually, how will government employees maintain themselves at an average annual cost of living increase of five percent?

SECRETARY MILLER: There is no doubt that we need to reduce inflation so that all of us can share again in
real increases of income. One of the sacrifices that we will have to make, and I guess those in government are called upon particularly to set the example for the nation, is being willing to see some erosion in real income in order to gain more opportunity for real income in the years ahead.

If we try to index everyone to transitory inflation figures, which incidently are overstated in terms of cost of living, we will ratchet the whole society up into an endless pyramiding of geometric progression. So I'm afraid we are all going to have to suffer some, and I suspect government employees will have to bear a special responsibility to set the example.

The 18 percent inflation does not, however, reflect the change in cost of living because it overstates the cost of living in some ways. The CPI is correctly a Consumer Price Index. It's an index of things consumers might buy. But since consumers don't buy that basket of goods, they buy something else, the cost of living is affected by what they really buy, not what they might buy. The best example is that the CPI assumes that everybody buys a new house at current prices and current mortgage rates every month. But very few Americans buy a new house at current prices and current market mortgage rates every month, so it greatly overstates that component. And,
obviously, we've had, in a period of rising home financing charges, considerable distortion. It runs about two and a half to three percent in these figures, just from that one factor alone that overstates what really is costing consumers. But the point is that inflation, however measured, is higher than we're likely to see pay increases this year for government employees, and for many other employees. And that's part of the austerity we need to show and accept, fairly, so that we can wind down inflation and return to a period where we can expect annual increases in real incomes. If we don't do it now, then our prospects for increases in real incomes in the future will be very dim indeed. If we just put off the day of reckoning, then we'll never get there. But if we will tighten down and wind down that inflation factor, we'll be surprised how rapidly we can return to a time when we can achieve real increases in income.

QUESTION: Chrysler has been having difficulty getting additional bank financing to meet requirements for federal loan guarantees. In view of these problems, which include the default on a $10 million dollar loan to a Belgium bank, and the weak economic outlook for the auto industry, do you expect Chrysler to ask for additional federal aid, or a waiver of some of the provisions of the loan
guarantee act, so it can draw on the federal loan guarantees immediately?

SECRETARY MILLER: The process of negotiating the Chrysler financial package has been going along now since the beginning of the year. Originally, it appeared that Chrysler would need funds as early as January. But, as each month has come by, Chrysler has put a piece of its package together and been able to raise and complete parts of the financing package required by the loan guarantee act, and therefore, has been able to sustain its cash flow at a very satisfactory level—all of which is contributing toward the final financing package.

The banks are negotiating with Chrysler now for their part of the package. I can't tell you the final outcome, but I believe that it will probably work out, that they will find accommodation and find a way to work out that piece of the puzzle. The puzzle involves contributions from Chrysler employees, most of which has been accomplished already. It requires some sales by Chrysler of surplus assets, and they've done some of that already. It requires some help from their dealers and their suppliers, and they have some help, but they are offering now a debenture, you may have read in the paper today, to those suppliers in order to finance that part.
QUESTION: What are your plans for the Susan Anthony dollar? Is it to be altered or suspended?

SECRETARY MILLER: We have Undersecretary Bette Anderson to answer that, because she's in charge of the Susan B. Anthony dollar.

Well, with this radio broadcast and telecast going out everywhere, I can just say to everybody, if they would just start demanding the Susie B's when they go around, the problem would take care of itself. But if you don't demand the Susie B, we'll have to change its color or punch a hole in it or something, so it will get your attention. And we prefer just to keep the nice, vanilla ice cream Susie B's that we now have, so we hope you'll support the use of them.

UNDERSECRETARY ANDERSON: I'm delighted to have this chance to share with you the fact that in the past five weeks, we have put an additional 15 million Anthony coins in circulation through the assistance of the United States Post Office, on a voluntary basis. Our hope is that we will continue to do that, and that you will ask for them at your local bank. You know, the reason this coin was introduced was for economic reasons, saving you as American taxpayers, and we really have a responsibility to help circulate this coin. So we're not going to discontinue it.
we're going to continue to try to promote it, and encourage you, the American people to use it. Thank you.

SECRETARY MILLER: You know, what Bette says is worth noting. The paper dollar wears out. Paper wears out so the average life of a dollar bill is about 18 months, and then we have to reprint it and recirculate it. The average life of a coin is 15 or more years. And so, obviously, there's more sense for taxpayers to use something that will have a long life, that will not have to be replaced. So there is quite a saving if we can achieve it.

But they are very convenient, those of you who are golfers pay off your Nausau's in Susie B's, and you can get this thing going.

QUESTION: Why in the time of the energy shortages and pollution problems did this Administration choose to cut 265 million dollars from mass transit aid?

SECRETARY MILLER: The Administration of course has not announced its budget. It will come out Monday, so someone is looking at some preliminary figures. But it's true that there may be some adjustments in the funding for mass transit. I think when you see the results you'll find there is some rescheduling, some deferrals, and that you'll find the fundamental program and support for moving toward more public transportation
is solidly in place. But I think we can schedule in a way that takes pressure off the budget. I hope you'll reserve judgment on this, because I think you'll find this program is and will be fully supported. It's a question of timing and how we go about it.

QUESTION: Before asking the final question, Mr. Secretary, I'd like to present you with a certificate of appreciation from the Press Club, and also a Press Club tie.

The final question is a very good one. It says, in light of your comments about inflation and the interest rates, have you ripped up your credit cards yet, and if you haven't do you want to do it now?

SECRETARY MILLER: Well, Mr. President, I thank you for the certificate, I thank you for the tie. The last time I was here I got a windbreaker, and considering the chill about our program, I should have gotten a windbreaker today. The answer is, of course I have not ripped up my credit cards, I've ripped up my wife's credit cards.