Where they stand on Volcker's

As the impact of Federal Reserve Chairman Paul Volcker's "controlled disintegration" tight money policy began to be felt over the past two weeks, various political figures, economists, and news media have had the opportunity to demonstrate where they stand. The following is the line-up, for and against a policy that will cripple America's industrial economy.

Presidential candidates

Jimmy Carter

To New York Times, Oct. 10: "The number one threat to our national economy is inflation. Whatever it takes to control inflation, that's what I will do. **To National Public Radio, Oct. 13:** "There is no way we can avoid high interest rates." **Through Jody Powell, Oct. 22:** "I see no prospect that the President will change his policy in support of the Fed, or their policy, or change the Fed Chairman."

Ted Kennedy:

To Business Week, Oct. 22: "One of the leading problems in the country at present is inflation. The steps the Fed has taken are not steps that I would differ with, although we have to monitor this action extremely closely over the next several weeks to see whether it will put us over the brink and into a more serious recession. The administration ought to be considering what steps it might take were that to be the case, thinking about stimulation—although it is not called for now." **Through aide Carey Parker:** "While we feel that Mr. Volcker and the Fed are currently operating off the charts, and their policies could do serious damage to the U.S. economy, we have great confidence in Mr. Volcker and the Fed and are sure they will take necessary action to correct any defects in their policy before it is too late."

Lyndon H. LaRouche, Jr.:

Statement released, Oct. 20: "The Federal Reserve tight-money policies mean economic suicide for the United States. ... I herewith submit a demand for the prompt impeachment of recently appointed Federal Reserve chairman Paul Volcker."

John Connally:

Through aide Julian Read: "The Governor (i.e., Connally) is 100 percent behind Volcker. Three days ago in Houston, Connally gave a speech defending Mr. Volcker's policies. And over the weekend, he issued a statement saying that 'Volcker's policy is hard to swallow, but necessary.' Connally sees inflation as the number one problem. High interest rates is the only way to stop it. Unemployment is necessary. ... We must knock the waste out of the economy."

Ronald Reagan

Refused comment until candidacy is announced.

Howard Baker:

Through aide Tom Griscom: "Baker does support the moves by the Federal Reserve with one reservation: that it's a shame we let the economy degenerate to the point where we have to drive up interest rates."

George Bush:

"The action by Federal Reserve Chairman Volcker is a necessary step to curb the staggering growth in the rate of inflation."

Robert Dole:

Through aide Randolf Miller: "The Senator doesn't like high interest rates, but doesn't know what else can be done. So he is willing to stand back and see what happens. He does not intend to oppose the policy at this time."

Other government figures

Sen. William Proxmire:

Press release, Oct. 10: "The strong policy steps taken by the Federal Reserve this past weekend are absolutely

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necessary if the board is going to bring the growth of money under control and reduce inflation. The increase in the discount rate to 12 percent, an all time high, and the application of marginal reserve requirements on managed liabilities are certainly appropriate steps to be taken at this time."

Rep. Henry Reuss:
To New York Times, Oct. 10: "I applaud the Fed and the treasury for their actions on Saturday."

Rep. William S. Moorhead:
To New York Times, Oct. 10: "We seem to know better how to cure a recession than how to cure inflation. I personally feel the gamble is worth taking."

Sen. George McGovern:
To New York Times, Oct. 10: "At some point, higher interest rates no longer serve any purpose except to guarantee a deeper recession. But I don't think there's much we can do about it if the administration seems bent on this course."

Rep. John Conyers:
Through press secretary Bill Kirk, Oct. 23: "The congressman is against the policy because it puts the crunch on small business and it puts the crunch on everybody."

Rep. Parren Mitchell:
Letter to Wall Street Journal, Oct. 11: "For years it has been difficult to support the Federal Reserve because its modus operandi assured that its impact on the economy would be procyclical. ... Now I can be supportive, and am confident that many of my House colleagues also will be."

Economists:

Charles Schultz, chairman, President's Council of Economic Advisors: "The basic thrust of what the Fed did was needed."

Where are the real Democrats

In 1976, as the campaign for the presidency was in full swing, Jimmy Carter pledged to implement the planks in the Democratic Party Platform. The following is a selection on the subject of credit rates and housing, taken from that official party document.

"The housing industry and construction workers, among the hardest hit by the current recession, could have benefitted by a genuine federal commitment to meeting basic human needs for shelter.

"It is the purpose of this party and the plan of this Party's Platform to reverse this callous practice of neglect. The economic policies proposed in this Platform will greatly enhance the chances for average Americans to own homes or to rent homes at reasonable rates.

"We must reverse the Nixon-Ford tight money policy, an important factor in our housing shortage.

"The biggest reason for escalating housing costs is mortgage interest. Out of every housing dollar, 37 cents is spent on interest. With mortgage rates pushed to the highest levels of the past century, the notion that the public is served by high interest is a myth. Every time the mortgage rate rises a single percent, three and a half million more Americans are locked out of the chance to own a home.

"That is why the Democratic Party's commitment to a more accountable Federal Reserve Board, to price stability, to a housing administration free of scandal, and to reasonable interest rates are essential to the effort to address our housing problems.

Beryl Sprinkel, Harris Bank (Chicago): "I'm delighted."

David Grove, advisor, Marine Midland Bank: "I applaud."

Alan Greenspan, advisor, Presidents Ford and Nixon: "The Fed had no alternative."

Robert Triffin, Yale University: "Controlling the money supply is the best way to fight a recession. Certainly, initially if we are to brake inflation, there will be some difficult periods to go through. The sooner, the faster we do it, the less gradual approach we adopt, the better chance we have to succeed...."

Arthur Okun, Brookings Institution: "They had to do something in the tightening direction. The economy showed a lot more strength than I expected it to."

Joseph Pechman, Brookings Institution: "Volcker is heading in the right direction."

Walter Heller, Advisor, President Kennedy: "I think the Fed got itself into a position where it had to do this. If they had done any less, the world markets would have responded terribly negatively."

Murray Weidenbaum, American Enterprise Institute: "I really don't have any criticism of Volcker's approach."

The press

The New York Times, Editorial, Oct. 9: "The hope at the Fed, at least among the board's more pragmatic members, must be that this new show of determination will dispel the atmosphere of crisis soon enough to avoid a need for more real restraint. If this message fails to impress the people who count, unions pressing for higher wages, speculators dumping dollars, consumers spending as if there were no tomorrow, then the Fed will have to make good its threats and drive us all toward deeper water."

James Reston, Op-Ed, The New York Times, Oct. 14: "It is reasonable, in the present economic plight of the nation, to control the supply of money and credit and to raise the cost of borrowing money to build a house beyond the means of most families."

The Washington Post, article, "Letting Harsh Medicine Work," Oct. 14: "If the president can 'hang tough' long enough for the Fed's harsh medicine to work—as Carter said he'd do Monday—then the move could help cool speculative fever and dampen inflation. But if Carter hints he may try to counter the Fed action, he could blow the whole effort apart. ... Experts agreed the dramatic action was necessary to help dampen excessive borrowing."

Joseph Kraft, The Washington Post, Oct. 9: "There was no good alternative to the dramatic tightening of credit announced by the Federal Reserve over the weekend."

The Cleveland Plain Dealer, editorial, "Inflation Is Winning," Sept. 29 (written before Mr. Volcker's policy announcement): "Instead of holding down or cutting back or demanding that banks maintain increased reserves, the Fed has gone along with the immense growing demand for credit. To fight inflation those in authority must get tougher."

Miscellaneous

Lane Kirkland, Secretary-Treasurer, AFL-CIO: "These actions are the wrong move at the wrong time and will not solve the problem."

Van del S. Gravelee, President, National Association of Homebuilders: "I never thought that I would see the day when Americans would welcome a recession, but that seems to be the prevailing view of the administration today. There must be a better way to deal with inflation than tight money and high interest rates."