Fellner Assays Economic Goals

Nominee as Adviser Emphasizes Need for Consistency

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WASHINGTON, Oct. 10 — William J. Fellner, President Nixon's nominee to the Council of Economic Advisers, said today that controlling inflation requires a consistent Government policy of forcing slowdowns in the economy whenever the rate of inflation exceeds a pre-established acceptable level.

Mr. Fellner said that the Government must follow through on its threat to create an economic slowdown when there is too much inflation or else the threat will not be believed. But if the Government is believed —if it "achieves credibility" on this point—then there will be enough voluntary restraint on prices and wages so that Government action may not even be necessary, he said.

Mr. Fellner expressed his views at a panel discussion among economists at a meeting of the Federal Statistics Users Conference.

He did not specify the level of inflation that the Government should establish as an acceptable "norm" other than to note that the figure would have to be higher than zero. But he said the figure would have to be fairly low, and indicated that he might be thinking of something around 2 or 3 per cent annually. In any event, he said that 5 per cent was too high.

Mr. Fellner argued that adoption of the tough anti-inflation policies he advocated would actually permit the econ-

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William J. Fellner

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omy to run at a steadier pace than it has in the past. If labor, business and the financial markets avoid excessive wage increases, price increases and profits, then inducement of slowdowns and even recessions by the Government will not be necessary, he said.

H said that the stop-and-go economy that has proved necsary so far in the United States to control inflation is a more serious problem for this country than for some others. Elsewhere, for example, he said, putting on the economic brakes may mean only fewer jobs for imported workers or a slowdown in the migration from farm to city. But the consequences for the United States — higher unemployment — are more serious.

Another panelist, Arthur M. Okun, former chairman of the Council of Economic Advisers, expressed cautious optimism about future price trends. He argued that this year's inflation had not ben caused by errors of governmental policy but rather by supply and demand imbalances in commodities markets. Except for oil and other "energy" commodities, he foresaw supply and demand coming into closer balance in the period ahead, and thus a relaxation of price pressuers.