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Ford, Advisers Meet on Inflation

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President Ford called in his economic advisers two hours after taking the oath of office yesterday and told them he wants to make an immediate and forceful demonstration of his determination to fight inflation.

"He told us he considers this the overall most important problem" the country faces, counselor Kenneth Rush said after the meeting.

"He clearly recognizes the need in the country for a clear statement of policy," said Council of Economic Advisers Chairman Herbert Stein, "a showing of administration leadership."

"What form that showing should take was not decided," Stein said. But "he wants to make such a demonstration."

The advisers, including Federal Reserve Board Chairman Arthur F. Burns, were each asked to submit suggested courses of action through Stein early next week, when they will meet again with the President and possibly make some decisions.

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In the meantime, Mr. Ford is expected to allude at some length to the economy in his address to the scheduled joint session of the House and Senate Monday night.

None of the participants said they anticipate a great departure from the government's present basic policies of cooling off the economy by slowing down both government spending and the growth of the money supply.

Thus, Rush said, "I think he is thoroughly opposed" to a tax increase as an alternative or supplement to spending cutbacks, and also is opposed to formal wage-price controls.

Nevertheless, Mr. Ford's close relations with Congress may make a difference. The President stressed making "proposals that are acceptable to Congress," Rush said, on taking "a non-partisan, cooperative approach."

This could make it easier than before to bring off some spending cutbacks. "We may be able to take a new look at the budget now because there's a different relationship between the President and Congress," Rush said.

The federal budget for this fiscal year now stands at $305 billion. Burns and Treasury Secretary William E. Simon would like to see big cutbacks; Burns has called for a $10 billion reduction. Office of Management and Budget Director Roy L. Ash has said he does not think it can be done, much as he would like to. President Nixon in his final weeks in office set a target of $5 billion in cutbacks, and Mr. Ford, while Vice President, embraced that goal.

No one thinks a reduction of $5 billion or even $10 billion would immediately arrest inflation; the economy is too big for that. It could, though, have a significant "psychological effect," advisers think.

In addition to Burns, Simon, Stein, Rush and Ash, yesterday's meeting was attended by Alan Greenspan, the Nixon choice to succeed Stein next month as chairman of the economic advisory council; two Ford aides, Robert T. Hartmann and L. William Seidman, and a member of Mr. Ford's "transition team" of advisers, former Pennsylvania Gov. William W. Scranton.

Mr. Ford has asked Greenspan to come ahead as Stein's replacement and Simon to stay on in the Cabinet. Both have agreed. He has also asked Ash and Rush to stay on at least during the transition. Mr. Ford is also expected to rely heavily for economic advice on ex-Rep. John W. Byrnes (Wis.), former ranking Republican on the House Ways and Means Committee.

Mr. Ford himself has said in the past that he regards budget-cutting as the most promising means of combating inflation. He also indicated, in a speech earlier this week, that he is likely to call on business and labor to moderate their price increases and wage demands.

Rush said last night there are various other subsidiary proposals his advisers are likely to put before Mr. Ford. Burns, for example, has urged both that the government serve as a kind of employer of last resort if unemployment goes over 6 per cent while the economy is being slowed down, and that the President be given the power by Congress to defer price and wage increases in key industries. Rush sees "problems" in both ideas.

Another proposal is to set up an agency just to "monitor" key wage and price increases, and perhaps marshal public opinion to keep them moderate. President Nixon proposed such an agency to Congress before leaving office.

Mr. Ford has also indicated that, while tightening up on the economy as a whole, he wants to help selected groups and industries especially hard hit by the present combination of inflation and high interest rates. Examples he has cited are the housing industry, public utilities and older people living on fixed incomes. He made no specific proposals, however.

An additional problem may be a resurgence in the price of food because of the drought in the Midwest, which could cut production of various key crops. Part of this problem is how much to give away or allow to be exported, Rush said.