

BURNS PROMISES ECONOMIC CREDIT

But Says Federal Reserve
Would Act as Last Resort—

Rigid Rules Discounted

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WASHINGTON, May 28 —

Arthur F. Burns has pledged that the Federal Reserve Board, acting as a "lender of last resort," would not let the economy collapse because of a shortage of ready funds in banks or other financial institutions.

Mr. Burns's pledge was one highlight of last night's meeting at the White House of a group of 45 financial and business leaders with President Nixon.

Comments today by some of those present at the meeting indicated that they were reassured, both on the foray into Cambodia and on the Government's economic policies.

In Huntington, L. I., Vice President Agnew told a gathering of Suffolk County Republicans that "1970 is going to be a good year for business, with an upturn in the second half."

He said it was important to keep the recent stock market decline in perspective, suggesting that "Wall Street is capable of overreacting in both directions."

Mr. Burns did not project a more rapid expansion of the na-

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Burns Promises Economic Credit to U.S.

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tion's money supply in the months ahead, as mistakenly reported in one edition of The New York Times this morning. He made no projections.

What he did say was that no rigid rules on how rapidly the money supply should be allowed to grow would deter the Federal Reserve from supplying more money in case of any crisis of "liquidity." Essentially liquidity means ready cash.

This means that the Federal Reserve, as lender of last resort, would come to the rescue of financial institutions such as banks—though not industrial or commercial corporations—that suffered "runs" or otherwise were short of needed cash.

Mr. Burns, according to authoritative accounts today, prefaced his remarks by saying he was aware of uneasiness and concern in the financial community about the state of liquidity in the economy.

Assurance of Alertness

He assured them that the Federal Reserve would discharge its responsibility as a lender of last resort and said businessmen need not worry about the alertness of the Federal Reserve to the economic situation and its ability to supply the money needs of the country.

Much of the meeting was de-

voted to an explanation by the President of his Southeast Asia policy. He pledged again that all troops would be out of Cambodia by June 30 and said the operation would help to guarantee, and possibly to speed, the withdrawal of troops from South Vietnam.

Typical of the reactions today was that of Robert O. Anderson, president of the Atlantic Richfield Company, who said:

"I am greatly encouraged by the discussion and comments of the President and other members of the Administration."

The President also repeated the Government's forecast that the economy would be turning upward after mid-year and defended the recently revised budget figures, showing small deficits in this fiscal year and the next, as accurate and reliable. Congressional experts have forecast larger deficits than the Administration.

One businessman reported the President as saying that "the South Vietnamese Army had proven itself and developed a new self-confidence, making the prospect of successful Vietnamization more likely."

Another issue at the White House session last night that gave rise to differing interpretations was that of Government intervention in private price and wage decisions.

The President was evidently

vague as to whether the Government would make any appeals for restraint, but repeated his opposition to mandatory wage and price controls.

Ronald L. Ziegler, the White House press secretary, denied today reports that Mr. Nixon had made an appeal for restraint on wages and prices during his presentation last night.

Secretary of Commerce Maurice H. Stans told a news conference today that the Administration had kept constantly under consideration various proposals short of direct controls. But he added that up to now "we have seen no need to go farther than we have."

Proposals Considered

Charles E. Walker, Under Secretary of the Treasury, said there was "considerable merit" in a plan proposed by Senator Jacob K. Javits, Republican of New York and backed by other House and Senate Republican members of the Joint Economic Committee.

This would involve simply monthly publication by the Council of Economic Advisers of information on significant wage increases or price increases that the council regarded as having inflationary implications.

Mr. Walker said the plan "appeals to me because it is educational," as opposed to direct intervention. He made his remarks on the National Broadcasting Corporation's "Today" television show.

However, Paul W. McCracken, chairman of the Council of Economic Advisers, has strongly opposed the plan, contending it is just a disguised form of the now-abandoned wage-price "guideposts."

In Congress today there was additional support for a separate plan that would formally re-introduce the guideposts. The bill has been approved by a subcommittee of the House Government Operations Committee and was introduced in the Senate today by Senator William Proxmire, Democrat of Wisconsin.