

PRIME MINISTER

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RECENT CHANGES IN THE ECONOMIC TEAM IN THE UNITED STATES

The recent departure of Murray Weidenbaum from his post as Chairman of the Council of Economic Advisers, completes a remarkable exodus of "supply-siders" from the administration. (They include, from the Treasury, Norman Ture and Paul Craig Roberts - two of the most optimistic supply-siders.)

I do not think that this change presages any dramatic shift in general economic policy. But it may mark a change in the rhetoric. The supply-siders clearly did not secure the domination of economic policy to which they aspired.

The successor to Weidenbaum is likely to be Allan Greenspan. He was Chairman of the Council of Economic Advisers under the Ford administration. He is firmly in the mould of the traditional conservative economist, with a good background in financial markets. He has a firm grip on reality and he is a personality not susceptible to extreme or rash reactions to events. He would strongly have supported our medium term financial strategy, and in particular the importance of a progressive reduction in the budget deficit. Although he may have some difficulties with Volcker, these are very likely to be merely technical matters and not issues of substance. His appointment presages a new accord between the Fed and the White House.

In short, the changes represent the reconquest of Government policies by the main-stream conservative economists in the shape of Arthur Burns, Herbert Stein, Willie Fellner and Gotfried Harbeller. From our viewpoint this is indeed good news. I suspect it will have the effect of reassuring markets that a knowledgeable and wise team (paralleled by George Schwartz in State) is now at the helm.

Schwartz ?



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