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Americans not saving, Volcker says

United Press International
HOUSTON — Federal Reserve System Chairman Paul A. Volcker said Tuesday American consumers were convinced for the first time in history that inflation would continue and as a result were spending rather than saving.

"In a sense we're off the map in terms of the established economic relationships of the past," Volcker said at a news conference. "Most notably I think you see it in consumer spending. What's happened is consumer spending keeps being stronger than people anticipate at the expense of the savings rates getting very low."

"People for the first time in this country really have become convinced that there's going to be inflation and it's better to buy now than later."

Volcker said inflation-fueled spending has kept the economy stronger than might have been expected and delayed a recession.

It was the intention of the Federal Reserve System, he said, to try to keep growth, the money supply and credit restrained, and he predicted a "winding down" of the inflationary process in 1980.

"I think everybody has to be aware of the fundamental futility during a period when productivity is not rising — and it's not — and when we have higher imported oil prices — and we do — of thinking you can increase your real income in the aggregate," Volcker said.

He praised a "certain common sense on the part of the typical American worker or consumer" to restrain wages even though prices are rising rapidly. He said such restraint was necessary because of productivity declines and imported oil prices increases.

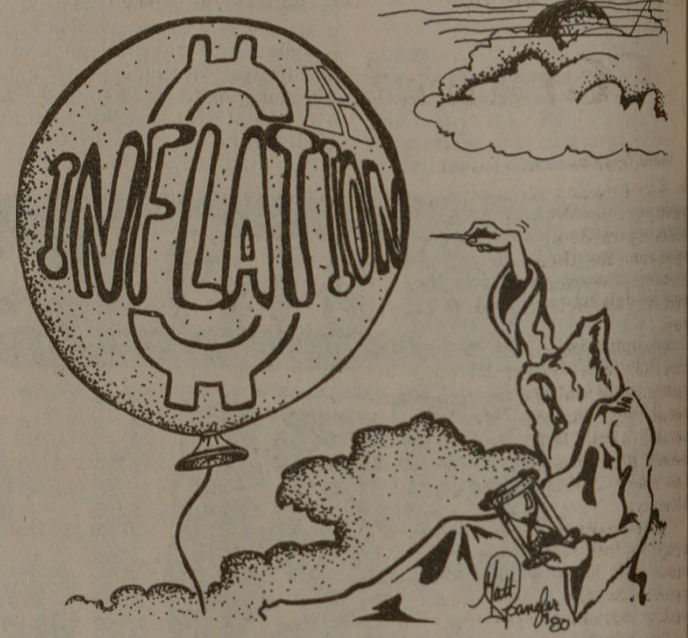
"And there's nothing you can do about that in the wage bargaining process which would make that inflationary situation even worse without that sense of restraint," he said.

The fear of inflation, he said, compounded efforts to combat it.

"I share the view that we have become hostage to our import dependence on energy," he said. "That is alongside inflation and the two are obviously closely connected. Over time we have no choice but to be more effective in conservation and be more effective to the extent we can be in production."

"All of that takes time. Right now we have a situation where there is a current surplus in the oil market in the sense that world production exceeds by a reasonable margin current consumption but there's also a tremendous urge to stockpile for understandable reasons."

"People fear a price increase and a supply disruption but the uncoordinated stockpiling that's going on all over the world leads to pressure in the oil markets which leads to pressure on the prices which brings about in part the very event people are hedging. We are in a vicious cycle here of fears about price increases producing the price increases."



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Kennedy experts deny new Chappaquiddick allegations

United Press International
WASHINGTON — Sen. Edward Kennedy has hired three nautical experts to back up his account of the accident in which a young woman died in his car in response to new Chappaquiddick articles.

Kennedy's campaign manager and brother-in-law, Stephen Smith, Monday brought out two admiralty lawyers from Boston and a Massachusetts Institute of Technology professor, hired at a cost of over \$10,000, to counter the reports — one in the current Reader's Digest

and one printed Tuesday in the Washington Star.

The articles question Kennedy's account of Mary Jo Kopechne's drowning in 1969 when Kennedy's car went off a bridge on the island of Chappaquiddick.

Both articles challenge Kennedy's testimony that after being unable to rescue the woman, he himself nearly drowned when he swam across the channel to Edgartown. They contend scientific evidence shows there was no strong current that almost dragged Kennedy out to sea as he claimed.

In addition the Digest article said Kennedy was driving at a speed of 30 to 35 mph, was on the wrong side of the road, and he engaged in "panicking" when he saw the bridge.

The Digest said a tidal study by an oceanographic engineer showed a "quite weak" current was flowing in the opposite direction from what Kennedy claimed and would have carried him inland — not out toward the ocean.

"That's a very serious misrepresentation," Smith said about the Digest article. "Even our brief review of this material shows it to be seriously in error."

On the speeding allegation Smith said investigators for the Massachusetts Motor Vehicle Registry determined the senator's speed to be 20-22 mph and noted the judge in the Kopechne inquest agreed with him.

Jerome Milgram, oceanography professor at M.I.T., said the Reader's Digest scientist based his information on studies in November 1979, while government publications — including tide charts — in 1969 when the accident occurred, "confirm Senator Kennedy."

Lawrence Hoch, a Boston admiralty lawyer, said extensive studies by him and an associate of tidal charts, newspaper reports and photographs, confirmed Kennedy's testimony.

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CAB reviews fares policy

United Press International
WASHINGTON — The Civil Aeronautics Board Tuesday opened an inquiry into whether it should prohibit airlines from assessing passengers additional charges if fares increase between the time tickets are purchased and departure.

Most scheduled airlines now adhere to a voluntary guaranteed fare policy, but 11 carriers and most commuter airlines do not subscribe to it.

In August, Texas International Airlines and Western Airlines asked the CAB to drop the voluntary policy, but the board refused. However, it said Tuesday that in light of increased airline competition since the 1978 Airline Deregulation Act went into effect, it was willing to take a fresh look at the need for such a policy.

The board is seeking comments until Feb. 14 on whether to retain the current policy, make it mandatory, or drop it.

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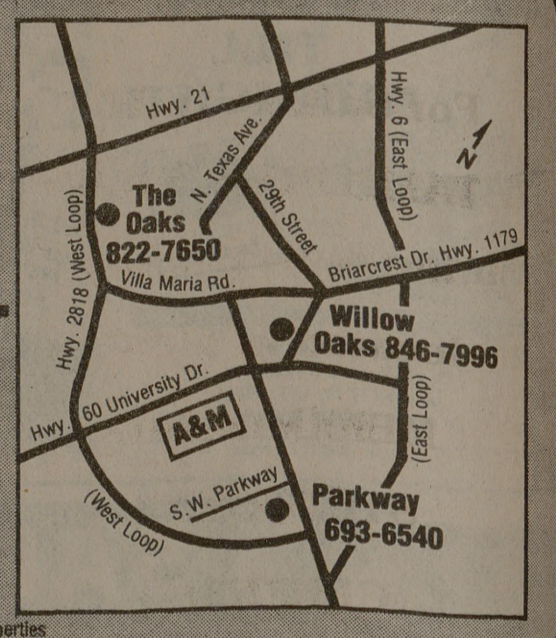


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