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TAX EXEMPTION FOR INTEREST ON SAVINGS ACCOUNTSQuestion:

Why don't you provide a tax exemption for interest on savings accounts in order to encourage further investment dollars for the housing industry?

Answer:

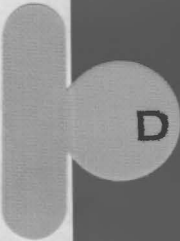
Various proposals have been made to exempt interest on savings accounts. We have not supported these proposals because they are too costly and of questionable benefit to the housing industry. The proposed tax exemption:

- could severely distort the credit market;
- would not substantially increase savings;
- would not substantially increase the availability of money for housing.

Background:

To attract savings through tax exempt interest would have the following adverse results:

- It would initially decrease the aggregate amount of savings. A \$750 exemption for interest on time and savings deposits would cost about \$2 billion, which the government would have to borrow in the private market to make up. That borrowing reduces the amount of savings available for private investment.
- It would not substantially increase savings deposits because the tax exemption would not be a major benefit to most taxpayers. For a taxpayer in the 25% bracket, exemption would make a 5.25% account equivalent to a 7% taxable account, which is still considerably below the rates available elsewhere. Only high-bracket taxpayers would get major benefits.
- Passbook savings may increase some, but total savings will not increase. The principal effect would be some switching. It doesn't operate as an incentive for new savings because it doesn't reward the increase in savings.
- It would create new distortions in the credit and investment markets.



INTERNATIONAL AIRLINES

Question:

The U.S. international airlines, principally Pan American and TWA, have suffered massive increases in fuel costs and thus face serious financial difficulties. What is the government doing about this?

Answer:

The Administration put together a special task force to work on this problem under the chairmanship of Secretary Brinegar. As a result of intensive consultations with the airlines and all interested parties, as well as the participation of many other federal agencies and key members of Congress, a plan was developed to help the airlines, short of providing direct federal subsidy. This has helped, although Pan American is still in very serious financial condition.

We are doing everything possible within the Executive Branch to make it possible for the private parties to arrive at a workable solution. If legislation is needed to assist in this process, we will propose it very shortly.

M. Duval
10/23/74

TRANSPORTATION (MASS TRANSIT)

Question:

Will you support the compromise mass transit bill which the House and Senate Conferees have agreed to?

Answer:

The compromise worked out by the House-Senate Conference Committee, headed by Senator Williams, contains all the provisions I have supported. In my Pittsburgh speech and again later to a group of Mayors, I stated that I strongly supported a six-year transit bill which would allow local and state officials to use a portion of their federal funds for operating costs.

I understand the funding level of the bill agreed to by the S.386 Conferees is very close to the amounts in the six-year House-passed bill which I have said I will support -- approximately \$11.8 billion.

I am very much in favor of a comprehensive mass transit bill, and it has my full support.

Follow-up Question:

The Williams-Minish bill is reported to be blocked in the House Rules Committee because of a jurisdictional attack by the Public Works Committee. Do you think it stands a chance of House approval?

Answer:

I will be consulting with House and Senate leaders. The country needs this six-year transit bill and I will continue my strong efforts to get it passed.

M. Duval
10/23/74

E

BUDGET CUTS

Question:

Won't the deep cuts in the Budget affect vital city programs and be felt first and sharpest by minority groups and the poor, and, therefore, hurt cities as a whole?

Answer:

The '75 Budget requests more money than ever before for grants to State and local governments and for human resources programs.

One out of every six federal dollars are spent in the form of grants to State and local governments. \$51.7 Billion in FY '75.

Background:

As Governor Winfield Dunn of Tennessee said in the President's meetings with the Governors, with more flexibility, State and local governments could get the job done with less money. They have added tremendous numbers of people in recent years just to administer Federal programs causing much waste and duplication. Almost all are highly paid specialists. Governor Dunn felt he could save \$50 million if Federal aid came with fewer strings. Many others, in the State and local Pre-Summit agreed that with block grants they could get the same mileage out of fewer dollars.

JHF-10/22/74

DOMESTIC GOALS

Question:

What are some of your key domestic goals?

Answer:

I would say simply to WIN the battle against inflation.

Background:

We obviously have urgent needs in several areas such as:

- Food
- Energy
- Environment
- Transportation
- Housing

But, real progress in these areas will depend on how well we fight inflation.

JHF-10/22/74

GOVERNORS AND MAYORS

Question:

How have State and local elected officials reacted to your domestic policy positions?

Answer:

In my first weeks as President, I have met with groups of Governors, Mayors, County Officials and State Legislators and numerous others individually. I will have a personal and continuing relationship with State and local officials, as will my staff.

I find that there is broad agreement with and support for our domestic legislative goals among State and local elected officials of both political parties.

Background:

From all press accounts, personal contacts and campaign appearances, the President's domestic policy goals and positions have received broad support from State and local leaders.

JHF-10/22/74

INFLATION

Question:

What response have you had to your telegrams to the Governors, Mayors and County Officials, asking them to enforce the 55-mile per hour speed limit and eliminate outmoded State regulations?

Answer:

The responses have all been positive and supportive. Those Governors and Mayors who have replied have pledged they will cooperate.

Follow-up:

How will they cooperate or help?

Answer:

First, by enforcing the speed limit. Then, here are some examples:

Governor Reagan, who has pledged to cooperate, is calling a State-wide conference on ways the State can eliminate outmoded regulations.

Governor Bond of Missouri is cooperating fully and has taken the initiative in this area personally by pledging a balanced budget in Missouri.

Governor Williams of Arizona has indicated that he has asked all State Departments to cut back their expenditures by 5%. He is making every effort to enforce the mandated speed limit as well. Last Year, Arizona cut back State expenditures by 5.9%, resulting in a \$32 million saving for the State, indicating results can be achieved.

Background:

Of course, we have not heard from all the Governors, Mayors and County Officials who received the telegram. Over 200 telegrams were sent and responses have been primarily from Governors.

JHF-10/22/74

NEW COALITION

Question:

What about the formation of this "New Coalition" of Governors, Mayors, County Officials and State Legislators? What does this indicate?

Answer:

The "New Coalition" is a step in the right direction. I have encouraged this effort since it was first raised. The people will benefit if State and local governments are given greater resources and responsibility. Further, if these State and local elected officials are able to take unified positions on priorities, it will be most beneficial.

Background:

The President met with leading Governors, Mayors, County Officials and State Legislators beginning in his first week as President and has met with numerous others on several occasions since. He has met with their bipartisan leadership as well as individuals and they have spoken positively on all aspects of these meetings.

JHF-10/22/74

NEW COALITION

Question:

Are there any plans for further meetings with the "New Coalition"?

Answer:

Yes. We will meet with the New Coalition again after the elections and before the FY 76 Budget is put together.

Background:

The President's staff met for several hours on September 11th with the New Coalition, chaired by Governor Rampton of Utah, in the first of a series of meetings. The loudest and clearest message to come out of the meeting is that revenue sharing reenactment is the top priority of State and Local Government. Also discussed were transportation, energy, human resources programs, State and local planning and law enforcement in greater depth. The meeting was a success and was characterized by the New Coalition as an excellent start.

They have agreed to meet again in early November after the election.

JHF-10/22/74

REVENUE SHARING

Question:

What is your position on the reenactment of General Revenue Sharing?

Answer:

As I told the State and local leaders, I was, am and will continue to be an advocate for General Revenue Sharing. I hope it can be extended at an early date in substantially its present form. I know this is their top priority.

Background:

The President stated his view that General Revenue Sharing should be extended in his meetings with these officials and all groups referred to this position in their public statements.

The consensus of State and local government views this as the best Federal program that they administer.

Senators Baker, Brock and Cook have introduced a bill extending General Revenue Sharing in the Senate. It is not expected to move in this session but should be a priority matter next year.

JHF-10/22/74



FREEDOM OF INFORMATION ACT

Question:

Mr. President, you promised the American people an open and candid Administration yet you vetoed the Freedom of Information Act.

Answer:

I fully support the aims of the Freedom of Information Act, and as I said in my veto message, I hope that the Congress sees the wisdom of adopting the three amendments which I have asked for, rather than trying to override my veto. The three amendments will assure that the legislation is both constitutionally sound and workable.

Background:

You wrote Kennedy and Moorhead on August 20, 1974, asking that they deal with several areas of your concern, including in camera judicial review of classified documents, searches of investigatory files, and time limits.

On October 23 you transmitted the specific language of your three amendments -- which are consistent with the overall aims of the legislation -- to the Congress.

GCS
10/23/74

ILLEGAL ALIENS

Question:

What do you intend to do about the increasingly serious illegal alien problem facing this country?

Answer:

Recently, my Administration asked Congress to amend the earlier budget submission by adding another \$3.5 million for programs in this area. My Administration is actively supporting passage of H. R. 982 which would outlaw knowing employment of illegal aliens. In my recent meeting with President Echeverria of Mexico, we discussed this topic and are now exploring a number of actions which both countries could take to alleviate the problem.

Background:

Recent estimates suggest that there are upwards of five million illegal aliens in this country. They have an adverse impact on our society in a number of ways. Since they are willing to work for lower wages, they displace U.S. citizens from jobs and thereby create unemployment. They create a substantial drain on state and local community services including schools, welfare systems and health services.

Now awaiting passage by the Senate is H. R. 982, which was introduced by Chairman Rodino in the House Committee on the Judiciary, making it illegal to knowingly employ an illegal status alien or one who is otherwise ineligible to accept employment. This legislation has been approved and passed by the House of Representatives and its enactment into law will significantly reduce the incentives for further illegal entry.

GCS
10/23/74

PRIVACY

Question:

Where do you stand on privacy legislation being considered by Congress?

Answer:

While Vice President, I worked extensively in the area of privacy and I am pleased at the cooperative way in which my Administration and the Congress are working toward legislation in this area. I strongly favor the House version, and feel that with just a couple more changes, it can be hallmark legislation.

Background:

Your efforts on privacy have been directed at regulating privacy procedures and eliminating unnecessary practices intruding on an individual's privacy without impairing the functions of the Federal government.

The House bill fulfills these requirements except for its provisions for (1) disclosure of sources of information used in security and employment investigations and (2) revelation of testing and examination materials used in employment procedures.

GCS
10/23/74

INTERNATIONAL TERRORISM

Question:

What do you plan to do to prevent international terrorism from spreading further into the United States.

Answer:

International terrorism must be fought at every level of society. The killing and maiming of innocent people has no place in the world today.

Background:

As you know, there is a Cabinet Committee to Combat Terrorism, chaired by the Secretary of State. The Committee has worked hard to improve the liaison and coordination of our efforts both at home and abroad. Congress appropriated an additional \$20 million to improve the security of U.S. Embassies abroad and most of that is now being spent. Our approach to the control of terrorism is nondiscriminatory, and we are attempting to cooperate with all foreign governments in this important effort.

Although we have taken many public and private steps to discourage the use of terrorism, constant vigilance is of the utmost importance. The American people can be sure that my Administration will take all possible precautions to reduce the risks of attacks by international terrorists.

GCS
10/23/74

MARIJUANA

Question:

Do you think marijuana use should be legalized, or decriminalized as the Marijuana Commission recommended?

Answer:

I am opposed to the legalization of marijuana, especially since medical evidence on its effects is still being explored. I do think that penalties for simple possession have been far too harsh in the past and am pleased that over 35 states have now adopted our Model Statute on Drugs which makes these penalties more realistic.

I am also opposed to the decriminalization of marijuana because I believe this Nation learned during prohibition that such an answer is really no answer at all.

Background:

Advocates of legalizing marijuana claim it is no worse than alcohol or tobacco, but that is hardly sufficient reason for the government to encourage its use through legalization. Marijuana may well be a passing fad of the 60's, but legalization would assure it being a problem far into the future.

The Marijuana Commission recommended, near the end of its report, that simple possession of small amounts of marijuana be decriminalized. Under the Model Drug Statute such possession remains a misdemeanor. Measures permitting the possession of small amounts of marijuana to be legal without decriminalizing the production or sale of it would create an ostrich effect in the law in this area. Lawful possession would necessarily entail unlawful trafficking.

GCS
10/23/74

CIVIL RIGHTS

Question:

You say you intend to be President of all the people. What will be your civil rights enforcement policy?

Answer:

The Administration is firmly committed to ensuring equal rights and opportunity for all Americans, regardless of race, color, religion, sex or national origin.

I expect the Civil Rights Division of the Department of Justice to continue vigorous enforcement of the civil rights statutes enacted in the last decade. We need to insure the right of all Americans to the opportunity to achieve his or her best, and to be judged solely on the merits.

Background:

Civil rights laws state a firm national policy of equal opportunity -- in education, employment, housing, voting and other fields. The law must be enforced to the end that all citizens in our society should have an equal chance to vote, equal opportunity in jobs, equal access to decent housing, equal opportunity to a good education. Particularly in these difficult economic times, the field of equal employment opportunity is of major importance. Access to jobs on a fair and meritorious basis, without either racial bias or favoritism, is critical to insuring everyone's access to a full and rightful place in our society.

While we have made progress in the field of civil rights in recent years, there are still many areas, where Americans are the victims of unequal treatment because of their color, national origin, or sex. In my view, even one such instance is too many, and I expect the Civil Rights Division to use its resources to help make the American ideal of equal treatment for all a reality.

GCS
10/23/74

ANTITRUST

Question:

What is your attitude toward antitrust enforcement?

Answer:

I believe that the antitrust laws should be enforced vigorously and, equally important, in an evenhanded manner. Whenever violations are uncovered they should be prosecuted. I regard vigorous enforcement as especially important in a time of inflation since anticompetitive practices -- such as private agreements among competitors fixing the prices consumers will pay -- and anticompetitive structures in various industries all serve to insulate businesses from the rigors of competition.

Background:

The antitrust laws reflect the nation's commitment to preserving a competitive marketplace and to the belief that such a marketplace will produce the best possible products at the lowest possible prices. I share that commitment and that belief.

GCS
10/23/74

BUSING

Question

What is your position on busing?

Answer:

Americans of all races have felt great concern in recent years over the busing issue. This has been an emotional, divisive issue in many communities. It is an issue that has confused parents, educators, courts, and government officials.

The basic goal should be quality education for all Americans. Like most Americans, I believe in the neighborhood school. I am against busing to achieve racial balance, and I am against excessive busing under any circumstances. I believe that what has been most lacking on both sides of the issue has been a spirit of compromise -- what the Supreme Court, in deciding Brown v. Board of Education, called "adjusting and reconciling public and private needs."

Background:

In the Equal Educational Opportunities Act of 1974, which I have signed recently, I agree with the Congressional declaration that it is the policy of the United States that "all children enrolled in public schools are entitled to equal educational opportunity without regard to race, color, sex, or national origin; and (that) the neighborhood is the appropriate basis for determining public school assignments." (Sec. 202 (a))

I am also encouraged by the Chief Justice's statement in the Supreme Court's Detroit decision, which limits busing across school district lines, that "without an inter-district violation and inter-district effect, there is no constitutional wrong calling for an inter-district remedy."

The policy of this Administration will continue to be to avoid whenever possible federally imposed busing requirements in cases under the jurisdiction of federal executive agencies. Second, it will continue to be our policy to seek fair and workable remedies for unlawful denials of equal educational opportunity, and to work with school authorities and civil rights advocates in a cooperative, non-adversary spirit. Finally, it need hardly be stated that the law, as determined by the courts, must and will be obeyed. I believe that within this framework, we can begin to come to grips with the busing issue in a constructive way.

GCS
10/23/74

CAPITAL PUNISHMENT

Question:

What is your stand on the issue of capital punishment?

Answer:

I believe that capital punishment can be a deterrent to crime. Many states are revising their laws to reflect the decision of the Supreme Court in Furman v. Georgia. Earlier this term the Senate passed legislation which would restore the death penalty for certain heinous Federal crimes. I support that legislation and hope for passage in the House.

Background:

This legislation would impose the death penalty in Federal cases involving murder, treason, and war-time espionage after a post-final hearing determined that there were certain aggravating factors and no mitigating factors.

GCS
10/23/74

DRUG ABUSE

Question:

Are we failing in our efforts to control drug abuse in America?

Answer:

When I proclaimed October 20-26 Drug Abuse Prevention Week, I met with the government experts in this area. They tell me that although we have clearly turned the corner from the spiraling rise of drug abuse in the 60's, there is still a long way to go. Constantly reviewing and improving efforts at all levels in our society is an ongoing priority of my Administration.

Background:

On October 18, you met with: Ambassador Sheldon Vance, Executive Director of the Cabinet Committee on International Narcotics Control; Dr. Robert DuPont, Director of the Special Action Office for Drug Abuse Prevention; and Mr. John Bartels, Administrator of the Drug Enforcement Administration. You pledged full Administration support of efforts to halt drug abuse.

Recent developments indicate that some slippage may be occurring which, if unchecked, could lead to a resurgence of the drug abuse problem. There has been a very recent upsurge in treatment demand, particularly in the West and in medium and small cities across the country. Mexican brown heroin has spread far beyond its traditional Southwestern area and now is estimated to supply over 60 percent of all the heroin available in the country. And the prospect of renewed Turkish opium production could significantly worsen the supply situation, depending on the effectiveness of the controls implemented.

GCS
10/23/74

GUN CONTROL

Question:

Recently, a Washington attorney was shot to death near his car by a 15-year old child. What do you think should be done on the issue of gun control?

Answer:

I am sure everyone in this room joins me in condemning the illegal use of firearms, as well as all other crimes of violence. But the question on gun control is whether further Federal legislation is appropriate. I think it is in the area of Saturday night specials - those cheap junk handguns which are flooding our country - but I think it more appropriate for State and local governments to decide for themselves whether even more stringent gun control statutes are necessary for their individual locality.

Background:

The issue of gun control is a violent emotional one. Gun enthusiasts are "one issue voters" who many claim have totally lost touch with reality on this issue. They are generally conservative and have supported the Administration on the other really big issues.

Saturday night special legislation, although easy in concept, proved impossible to draft in the last Congress: Conservatives wanted objective standards which no one could draft, and Liberals wanted "concealability" to be the standard which would be the first step in banning handguns.

The basic statutory framework is that the Federal government sets certain nationwide minimums: Federal licensing of dealers, no mailorder purchases, stringent Federal restrictions on machine guns, sawed off shotguns, and other automatic weapons, and restrictions on ownership by convicted felons, addicts and mental incompetents. Within this framework, state and local governments are able to tailor individual restrictions to suit local conditions.

GCS
10/23/74

JUSTICE DEFENSE OF FORMER GOVERNMENT EMPLOYEES

Question:

Could you explain the theory behind the Department of Justice's offer to defend former government employees in civil suits?

Answer:

That policy is a Justice Department policy and your questions on that explanation are better referred to the Department. I understand the Department is prepared to explain that policy to you.

Question:

Did the White House approve of this policy?

Answer:

The range of problems in representing ex-government officials who are sued in civil suits has been discussed in general terms with the Counsel's office, but Justice's policy in this regard was not formulated by the White House or cleared in advance by the White House.

Question:

Why did the head of the Criminal Division, Henry Petersen, sign the letter offering continued representation in civil suits?

Answer:

These are all wiretaps cases, and the Criminal Division has traditionally handled all civil suits arising out of wiretaps cases.

Question:

Why wasn't Special Prosecutor Jaworski informed of the letter beforehand, and doesn't it represent a conflict?

Answer:

That question is better directed to the Department of Justice, but these five specific cases are ones in which Justice had already been representing former President Nixon, and so Jaworski may be presumed to have known about all of them.

GCS

10/23/74

GERALD R. DODD LIBRARY



BICENTENNIAL

Question:

What's happening on the Bicentennial?

Answer:

A great deal of groundwork has been laid by the American Revolution Bicentennial Administration (ARBA), whose function is to coordinate and facilitate the Bicentennial commemoration. The national focus of the Bicentennial continues to be on the participation of every citizen and every community, with restricted Federal expenditures. International participation is invited and the response from abroad indicates fast-growing interest. Many programs are in the planning stage, with the results to show in the months ahead as we draw closer to the official celebration period -- March 1975 through the end of 1976. Currently, there are more than 1,500 recognized Bicentennial communities and over 3,000 Bicentennial projects underway. Many more are being added daily.

Background:

In 1966, PL 89-491 established the American Revolution Bicentennial Commission (ARBC) to plan and develop the Bicentennial. The Commission recommended a disbursed, grass roots (as opposed to centralized) commemoration and the ARBA, established under PL 93-179 on December 11, 1973, is implementing the original plans. John Warner, former Secretary of the Navy, was sworn in as Administrator on April 11, 1974. ARBA Presidential appointments remaining to be announced are the twenty-five member Advisory Council.

Federal Agency participation and Administration policies are administered by Counsellor Anne Armstrong, who chairs the Domestic Council Committee on the Bicentennial, a Cabinet-level committee. There are two Federal Task Forces: one, coordinating Federal participation in Philadelphia and the District of Columbia and the other, planning the logistics and transportation for visitors to the National Capital area.

Through ARBA, \$200,000 matching grants of equal amounts are available to each state and territory, though none have yet been given since policy for the grants is currently being approved. Policy guidelines for the grants are presently being cleared in accordance with OMB procedures.



October 23, 1974

SUBJECT:

SIMON CONCEDES WE MAY BE IN
A RECESSION

What is the President's reaction to Bill Simon stating that
we may be in a recession?

GUIDANCE: The important point is that almost everybody agrees that economic activity is sluggish. Whether or not this period will qualify as a recession is a question of semantics which will be determined by the National Bureau of Economic Research.

Whatever you want to call this period, there is no question it has many characteristics that are not typical of a recession. Certainly the rate of inflation is extraordinarily high. Also, while the declines in housing and stock prices have been particularly severe and the physical volume of retail sales has been weak, there has been no decline at all in employment, which climbed to an all-time peak in September. Similarly, investment spending is still booming, which is most unrecessionlike. Thus, our economy is sluggish in a rather peculiar way.

Nevertheless, the basic facts are that we have a combination of declining economic activity, and double-digit inflation--what has been appropriately called "stagflation"--and it looks like those conditions will continue into next year.

JGC

October 23, 1974

SUBJECT:

COST OF LIVING UP 1.2%
IN SEPTEMBER

The cost of living increased 1.2% in September, bringing the rise to 12.1% above a year ago, the greatest rise in any 12 month span since 1947.

What is your reaction to the 1.2% increase in the CPI for September?

GUIDANCE: The Consumer Price Index rose 1.2% in September representing a continuation of the rapid increases of the past year. While the inflation problem continues severe, there are indications that the increases in price levels in the industrial area are slowing. However, it is clear that controlling inflation will be a long, hard fight. The CPI report emphasizes the need for the Congress to adopt the President's economic program and for the people to elect a Congress that will support it.

When do you expect prices to begin falling, if ever?

GUIDANCE: I would just point out that Alan Greenspan, the Chairman of the President's Council of Economic Advisors, said in Dallas yesterday that he is marginally optimistic on the price outlook and would expect a lessening in the rate of U.S. inflation the first part of next year.

What rate of inflation are you forecasting for next year?

GUIDANCE: I am not in the job of making economic predictions. However, it is my understanding that Alan Greenspan said yesterday that he expects the inflation rate to be around 8% next spring.

JGC

October 23, 1974

SUBJECT: EPA OFFICIAL ADVISES
GAS RATIONING AND INCREASE
IN TAXES

John Quarles, the Deputy Administrator of the Environmental Protection Agency, yesterday called for the Government to consider gasoline rationing, abolishing the Highway Trust Fund, imposing a surcharge by weight on luxury cars, and an increase in the gasoline tax.

What's your reaction to the statement by John Quarles?

GUIDANCE: ~~It is my understanding that~~ **T**he comments by Mr. Quarles were his own personal views and do not represent the views of EPA, Administrator Russ Train, or this Administration.

JGC

October 23, 1974

SUBJECT:

WISCONSIN BEEF TO HONDURAS

What did the White House finally do with the Wisconsin farmers who were threatening to kill their cattle and bury it if the Administration would not assist in shipping the cattle to Honduras?

GUIDANCE: ~~As I mentioned last week, the White House~~ asked the U.S. Department of Agriculture to check into the situation. They did, and recommended that the American Red Cross, along with assistance from A.I.D. handle the situation. ~~If you have any questions on what has happened, you could call the American Red Cross.~~

FYI: It is my understanding that the American Red Cross, with assistance from A.I.D., will be shipping the beef to Honduras. END FYI.

JGC

2 QUESTION - Is a world recession developing?

ANSWER - Public enemy #1 -- for both the U.S. and the world -- is inflation. If it is not controlled it will destroy our social and political framework. It has to be curbed. Unfortunately no one -- here in the U.S. or abroad -- has found a way to curb inflation without slowing the rate of economic growth. Slower growth does not mean a world recession, however, and if governments, businessmen and consumers cooperate, inflation can be brought under control without a recession. I am confident that moderate growth can and will be achieved.

QUESTION - If balancing the federal budget is one of the long-term inflation-fighting tools, how does the Administration view the built-in escalators in Social Security and other similar programs over which we have no control? In this regard, does the Administration believe that those programs should be constrained in any way?

ANSWER - Not only balancing the federal budget but even a long-run surplus may be desirable as a long-term goal in view of the heavy investment needs we face in the future. Anything built into the budget that drives federal spending successively higher needs to be re-examined. In a general way, the Administration believes that all federal spending programs should be constrained. I would not single out social security and similar programs for special scrutiny. We need to take a careful look across the full range of federal spending activities,

QUESTION: Will you advance the date on which Americans can own gold? Will the Government sell its own gold stocks to Americans?

ANSWER: Recent legislation provides that Americans may freely own gold after December 31, 1974. While the legislation permits the President to advance the date, I have no present plans to do so.

We have the option at any time of selling gold from Treasury stores. Obviously such sales would reduce or eliminate the need to import more gold if demand increased when the prohibition on ownership was ended. We are considering whether to exercise the option to sell but have made no decision.

10/1/74

QUESTION:

Is the President seriously considering new energy-related taxes or tariffs to help reduce demand for foreign oil, or is this a Treasury proposal?

ANSWER:

Of course, the White House and a number of agencies have considered energy-related taxes or tariffs. However, a definite proposal for such a tax or tariff, other than the Excess Profits Tax, has not been made by the White House, Treasury, or any other agency. As you know, the FEA is now preparing a Project Independence Blueprint. By the first of next year, we expect to develop, through the Committee on Energy, a National Energy Policy to achieve the goals of Project Independence. The specific form of energy-related taxes and tariffs will be determined by our energy problems as analyzed in the Project Independence Blueprint and the actions of OPEC nations.

Prior to the time our National Energy Policy is announced, I may decide to propose certain energy-related taxes or tariffs designed to promote conservation and moderate the impact of high world oil prices on the U.S. economy. Such measures, if proposed, would at the same time protect the poor from having to bear an inequitable share of the burden.

10/1/74

October 18, 1974

Q & A - GNP REPORT

Q. In the light of the 2.9% annual rate of decrease in real GNP, does the President believe we are in a recession? Arthur Burns has said that we are. Whom should we believe?

A. The important point here is that almost everybody agrees economic activity is sluggish. Whether or not this period will qualify as a recession is a question of semantics which we can leave to the recognized experts.

Whatever you want to call this period, there is no question it has many characteristics that are not typical of recession. Certainly the rate of inflation is extraordinarily high. Also, while the declines in housing and stock prices have been particularly severe and the physical volume of retail sales has been weak, there has been no decline at all in employment, which climbed to an all-time peak in September. Similarly, investment spending is still booming, which is most un-recessionlike. Thus, our economy is sluggish in a rather peculiar way.

Nevertheless, the basic facts are that we have a combination of declining economic activity and double-digit inflation -- what has been appropriately called "stagflation" -- and it looks like those conditions will continue into next year. It is this problem to which my economic policy is addressed.

— Richard —

Q - How does your proposed program meet the problem of stagflation?

- (a) Curb inflation by maintaining budget restraint in 1975 and beyond, by cutting expenditures and by instituting a temporary surtax to pay for the new programs, so that we can
 - ease the pressure of Federal borrowing in the credit markets, which will reduce interest rates and make more funds available for housing
 - enlist public support for voluntary restraint on energy use and waste and inflationary actions.

- (b) Avoid a new round of shortages and the inflationary pressures they generate by
 - eliminate restrictions which raise prices
 - maximizing food production
 - economizing on our use of energy
 - increasing our productive capacity by liberalizing the investment tax credit.

- (c) Cushion the impact of our economic difficulties where they have hit disproportionately hard through
 - direct aid housing
 - increased unemployment benefits
 - temporary employment for those whose unemployment insurance has expired
 - tax relief for low-income taxpayers.

October 10, 1974

SUBJECT:

ECONOMIC GUIDANCE

Why does the President feel that we are not in a recession?

GUIDANCE: I realize that according to the popular shorthand method, two quarters of decline in real GNP constitute a recession, and GNP declined at an annual rate of 7% in the first quarter and about 1-1/2% in the second quarter. However, the prestigious National Bureau of Economic Research considers a number of indicators and to date it has been their position that the slowdown has not been "wide enough" and "deep enough" to call it a recession.

Several additional factors must be considered, such as unemployment rate and its duration, industrial output, etc. The overall economy is strong. Factors that should be considered are:

- Although GNP declined slightly in the first two quarters, demand in general is still at a high level
- There is less speculation in the stock market on borrowed money.
- Business investment in plant and equipment remains strong.
- Our financial institutions remain healthy, and are carefully regulated through state, the national banking system and the Federal Reserve.
- There are built-in safeguards for individuals, such as federal insurance of bank deposits.
- Individuals have much greater wealth, and they have greater useable assets, such as savings accounts, insurance policies, etc.
- There are built-in stabilizers that work automatically in time of trouble - numerous income supports we now have cranked into our economy, such as unemployment benefits, Social Security, Pension programs, Welfare programs, Food Stamp programs and Manpower Training programs.

The President yesterday never really set any goals or made any predictions on what the rate of inflation you expected or would consider satisfactory. What rate of inflation would be acceptable?

GUIDANCE: The Administration feels it is wrong to have a specific numeric goal. The basic goal is to reduce the rate of inflation to a point where it becomes of no significant influence in the economic decisions of consumers and business and industry in making future economic plans. The Price indices by themselves are not the sole determination and can be deceptive. Other factors must be considered--such as monetary growth, interest rates and financial markets.

We will not know that we have succeeded until we find the economy in a stable growth pattern over a period of several months.

Does the President really expect to have some meaningful reductions in the rate of inflation by early in 1975?

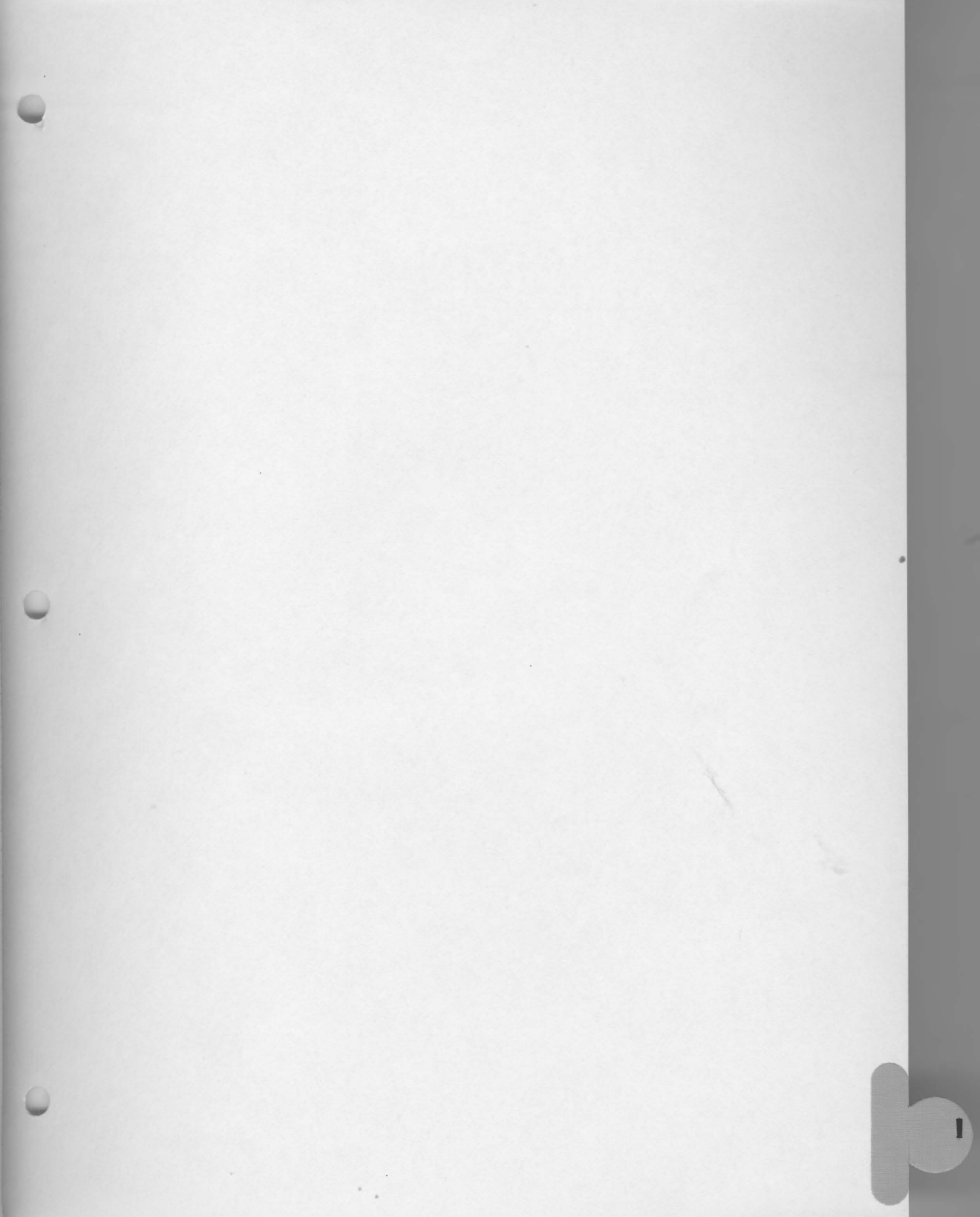
GUIDANCE: As the President said yesterday, he feels if the Congress responds to his 31 specific recommendations, and if the American people respond in a voluntary way, that we can have, hopefully early in 1975, some meaningful reduction in the rate of inflation (President's words).

The Administration continues to blame the higher costs of food and fuel for this inflation. Is anyone ever going to start recognizing the industrial commodities component as the major problem?

GUIDANCE: In the first 12 month period concluding in August, the problem had been concentrated in food and fuel. Both of these are due to special circumstances and are likely to be less troublesome next year. Food, gasoline, fuel oil, coal, and other energy-related items directly accounted for about 36% of the increase in the Consumer Index. However, in the past three months, these items accounted for about 8% of the increase.

The most disturbing aspect right now, in our opinion, is the large, consistent increases in prices of a great many industrial commodities. These increases may have been caused primarily by the fact that they

controls. Some of the increases may represent secondary effects of a huge rise in petroleum costs, and some of them are directly related to petroleum



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