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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT'S BRIEFING BOOK

(Key Questions)

For May 6, 1975

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THE PRESIDENT'S BRIEFING BOOK

(Key Questions)

For May 6, 1975

(Copy for: John O. Marsh, Jr.)



CONSUMER PRICES

QUESTION: The consumer price index rose by only 0.3 percent in March. Are you encouraged by this development? Does it signal victory in the battle against inflation and does it mean that additional measures to reduce unemployment can now be considered?

ANSWER: There has been a very significant reduction in inflation since last autumn. During the past three months, consumer prices have risen at a seasonally adjusted rate of 6.6 percent, about half the 12.2 percent rate of increase during the last six months of 1974.

The deceleration in consumer prices in March has been widespread. On a seasonally adjusted basis food prices fell by 0.5 percent last month, the first decline since last July. It reflects the very sharp decline which has been taken place in farm product prices since last autumn.

Although March figures are extremely encouraging, the inflation problem has not disappeared. In fact, the basic underlying inflation pressure which remains in the economy is stronger than indicated by the March figures. Inflation has declined but the reduction is not yet permanent, enduring, or as complete as is required by a healthy economy.

An increase in wholesale prices during April is likely to be reported in a couple of weeks. This and several other factors suggest that the pace of consumer price increases in the months ahead is likely to exceed the 3.8 percent annual rate reported for March, and perhaps by a considerable margin.

The inflation problem was created over a ten year period and it is not going to disappear quickly. Our problem is to support a recovery in the economy, but without going so far as to worsen the inflation problem next year and in 1977.



May 2, 1975

FOOD PRICES

QUESTION - What is your expectation for food prices for the next year?

ANSWER - Recently, USDA released a forecast of food prices through 1975. USDA expects retail grocery store prices to rise 7-8 percent in 1975. Increases in the prices of food eaten away from home will rise at a somewhat faster rate.

FURTHER INFO - Food prices rose 12.2 percent during 1974, somewhat slower than the 20.1 percent of 1973 but still a drastic departure from historical norms. Prices for food at home rose slightly faster than food consumed away from home 12.4 percent compared to 11.2 percent. Of all the major food categories only red meats (down 3.5 percent) and eggs (off 5.5 percent) declined in 1974. Biggest gainers were sugar and sweets (up 101.6 percent) and salad or cooking oil (up 50.0 percent).

Retail food prices declined 0.9 percent in March following a 0.1 percent drop in February. The March prices were 7.7 percent above the same month last year. Farm prices of food commodities were down 6.6 percent from last year while marketing costs were 13.1 percent higher.

TREASURY DEPARTMENT



APR 20 1975

5/2/75

MONETARY POLICY AND INTEREST RATES

Q: Interest rates have risen in the past two or three weeks. If this development were to continue wouldn't it jeopardize the recovery which you expect later in the year?

A: The rise in both short and long term interest rates is partly due to the heavy volume of Treasury financing and partly due to the expectation that the Federal deficit will expand much beyond the \$60 billion limit which I have set.

Monetary policy has become distinctly more expansive. The various measures of the money supply have continued to expand vigorously, continuing the trend that began about two months ago. M₂ which includes demand deposits, currency and most bank time deposits has risen at a 13 percent annual rate during the past two months. So it is not a shortage of money and credit which we are facing.

A sharp rise in interest rates would jeopardize the recovery. But we do not expect a large upward move in interest rates. If this occurs it will be because the Congress has plunged ahead and added programs and additional Federal spending to my budget. Such actions would pose dangerous risks of reigniting inflation and if people expect more inflation in the future interest rates will be driven upward. It is just that simple and that is why I have insisted that the Congress place a curb on their spending actions.



5/2/75

THE FIRST QUARTER GNP

Q: The decline in the economy during the first quarter was very sharp. The real gross national product declined at an annual rate of 10.4 percent. Is the decline going to bottom out soon or has it become too steep to be arrested soon?

A: The gross national product numbers for the first quarter really do not tell us anything new. They confirm and total up the monthly figures we already have seen. We expect the decline to end around mid year and there is now a good deal of evidence to support that view.

The substantial decline in inventories in February (as now estimated for the first quarter as a whole) is a very favorable sign. Although real GNP or production declined at 10.4 percent rate in the first quarter final sales actually held even. The result of low production and fairly good sales has been an economic reduction in inventory accumulation. When inventories are reduced production and employment have to rise. This has already started to happen in the automobile industry and other sectors also seem to be approaching the point of turnaround.

Although housing has not begun to improve the basic factors determining the trend of housing have improved greatly and we expect these to soon be reflected in a housing recovery.



QUESTION: REP. DERWINSKI SAYS REDUCED GASOLINE CONSUMPTION AS A RESULT OF PREVIOUS FEDERAL ACTION AND PENDING LEGISLATION BEFORE WAYS AND MEANS WILL CAUSE STATES THE LOSS OF GASOLINE TAX REVENUES OF \$1.5 BILLION IN 1976 AND \$3.8 BILLION BY 1980, ASSUMING TAX RATES CONTINUE AT 1973 LEVELS. DO YOU AGREE WITH HIS ANALYSIS? WHAT WILL BE THE EFFECT OF THE ENERGY BILL ON STATES' REVENUES?

ANSWER: CONGRESSMAN DERWINSKI ASSUMED A REDUCTION IN GASOLINE CONSUMPTION OF 18% IN 1976 AND 30% IN 1980. IF THAT REDUCTION OCCURRED, AND IF THE STATES DID NOT RAISE THEIR TAX RATES, THE LOST REVENUE COULD BE ON THE ORDER ASSUMED. HOWEVER, AS I UNDERSTAND THE PRESENT WAYS AND MEANS BILL, IT IS NOT INTENDED TO REDUCE GASOLINE CONSUMPTION BELOW 1973 LEVELS. IF GASOLINE CONSUMPTION WERE NOT REDUCED, OF COURSE, THE STATES' GASOLINE TAX REVENUES WOULD NOT BE AFFECTED. WHAT THE TOTAL EFFECT OF THE ENERGY BILL WILL BE ON STATES' REVENUES NO ONE WILL KNOW UNTIL WE KNOW WHAT WILL BE IN THE BILL.

FURTHER INFO: THE CALCULATIONS WE MADE USING THEIR ASSUMPTIONS WOULD INDICATE REVENUE LOSSES OF \$1.7 BILLION AND \$3.5 BILLION.

MAY 2 1975

TREASURY DEPARTMENT



5/2/75

ECONOMIC OUTLOOK

Q: There is a growing amount of commentary that the recession is bottoming out and the economy will soon turn up. Do you agree?

A: It is true that a number of early indicators that normally appear prior to the bottoming of a recession have begun to emerge in recent weeks. Although we expect the economy to stabilize and to begin to recover in the months ahead it is still declining--more slowly than earlier but the trend is still downward. Consequently, we must expect to see several months of unfavorable economic indicators. Among these we should expect another increase in the unemployment rate to be reported for the month of April--perhaps to nine percent or even more.

The evidence that is gradually appearing is consistent with and supportive of our view that the economy will bottom out around mid year. This was our forecast in January in the Economic Report and the Budget and we see as yet no evidence to suggest that the expected mid year bottoming out has been advanced or delayed.

Memo: A number of key indicators have continued to do better than we expected: retail sales, a stabilization in new orders and, most importantly, the growing evidence that the recession is to a very large extent an inventory recession, and this will limit both the depth and the duration of the recession.



INFLATIONARY PRESSURES

QUESTION: Do you feel there is any danger that increases in Government spending will rekindle inflationary pressures?

ANSWER: Yes, there is a real danger that unless we are careful about Government spending inflationary pressures will reappear. Past experience has shown that spending programs initiated to combat recession have very often had perverse effects. There are long delays in starting spending programs and when they do finally become effective the need for spending has passed.

Furthermore, temporary spending programs have a way of becoming permanent so that the spending itself adds to demand at a time when the growth in demand should be moderated. Once programs are locked into the budget they become difficult to eliminate and thus constitute a continuing source of demand pressure long after the original need has passed. Because of these dangers, it makes much more sense to combat the recession via the tax cut route.

There have already been increases above the spending totals initially proposed in the budget in February and unless these are kept limited, the progress against inflation we have seen thus far will be largely lost. Each committee of the Congress cannot attempt to conquer the recession with its own program.

In addition to the dangers of increased Federal spending we must also avoid concentrating all our attention on short term problems. Too much spending on programs such as public service jobs at this time may mean lower investment to increase production capacity for the future. Thus we must exercise some restraint now in order to assure that a recovery is not prematurely terminated because of a lack of adequate investment to sustain it.



May 2, 1975

INCREASED UNEMPLOYMENT

QUESTION: Another increase was announced in the unemployment rate-- this time to 8.9 percent. How much higher do you expect unemployment to go and how long will it be before unemployment begins to decline?

ANSWER: The rate of unemployment rose in April by 0.2 percentage points to 8.9 percent. As I have indicated on earlier occasions, I do not want to get involved in attempting to guess the precise peak level of unemployment. We are encouraged, however, by several recent indications that the decline in the economy is beginning to bottom out. Retail sales have held up well, the large excess of inventories is being rapidly worked off, and the rate of decline in production and employment has already begun to slow.

It is too early to expect a sustained and rapid rise in employment, but we are encouraged that the economy appears to be bottoming out and that the decline in employment has slowed. As the recovery gets underway and gains momentum during the second half of the year we will then begin to see more substantial increases in total employment.

BACKGROUND: Although the unemployment rate rose last month, the total number of people employed rose slightly as did the average number of hours worked. In comparison, during the six month period from September 1974 to February 1975, both employment and the average work week declined sharply. Total employment during that period fell by 2.4 million or by an average of 480,000 per month.



May 3, 1975

WHY ARE YOU AGAINST EMERGENCY AID FOR MIDDLE INCOME HOUSING?

QUESTION: It has been said that you are opposed to the House-passed emergency middle-income housing assistance measure (H.R. 4485) which would provide \$12 billion of home mortgage loans under new assistance programs subsidizing mortgages at 6 percent or 7 percent?

ANSWER: I am against this bill because it deals with the wrong problem. The supply of new mortgage funds is likely to be very substantial this year. For the first quarter of 1975, savings and loan associations had massive inflows of funds.

A good deal of the reluctance of individuals to buy new homes relates to their uncertainty about the economic situation, but there are already indications of some pickup in home demand.

The longer-range problem is the basic cost of a new home. Unless inflation and housing costs come under control, very few people are going to be able to afford new homes, whatever the mortgage interest rate may be.

My Financial Institutions Act of 1975 will help moderate the upward spiral in housing costs by providing a stable supply of housing credit. This will reduce sharp price increases by evening out the boom and bust pattern of housing construction. In contrast, the House measure provides only a temporary, ad-hoc means of dealing with this problem.

BACKGROUND: Net inflows of funds to Federal savings and loan associations in the first quarter this year were \$9.9 billion compared to \$5.5 billion in the first quarter of 1974.



TREASURY DEPARTMENT

May 2, 1975

THE BOND MARKET

QUESTION: What is your assessment of the bond market? Do you expect it to settle down?

ANSWER: While long-term borrowings by business corporations and by State and local governments are still heavy, there have been some postponements of bond issues, and some observers believe that conditions in the bond market are improving.

The Treasury's long-term borrowings are relatively small, since the great bulk of Treasury financing is done through short-term bills or notes. Also, many of the other Federal agencies which until a year ago were financing their programs with large amounts of long-term securities are now being financed through the Federal Financing Bank, and the Financing Bank finances these securities through short-term Treasury borrowings.

Thus, I don't think that the Federal Government's long-term borrowings have had much effect on the bond market, and the Treasury plans to continue to issue relatively small amounts of long-term securities.



CROWDING OUT PRIVATE BORROWERS

QUESTION: Are you concerned that Treasury borrowing at proposed levels to finance the expected federal deficit will crowd out private borrowers?

ANSWER: I would like to clarify the position which has been taken by the Department of the Treasury.

Contrary to some reports, the Treasury has not been saying that financing difficulties are a sure thing at the proposed level of the deficit, only that the level is near the danger area.

The Treasury is saying that a larger deficit resulting from the possible enactment by the Congress of further spending programs and congressional failure to act on the deferrals, recessions, and budget cuts I have already proposed presents a serious danger of undesirable crowding out of the private borrower--and that this is likely to develop just when economic recovery gets into full swing in late 1975 or 1976. Under conditions of a larger deficit, if "crowding out" is to be prevented it would require a highly expansionary monetary policy which would result in a return to double digit inflation.

The basic point is that there is a limit to how large a deficit our financial system can absorb without serious damage to the private sector, either by crowding out or inflation. And as we push the deficit up beyond that which I had planned, we seriously increase the risks of reaching that limit.



May 2, 1975

VA LOAN RATE INCREASE

QUESTION: Why did you allow the Veterans Administration to increase its interest rate on loans to $8\frac{1}{2}\%$?

ANSWER: The interest rate on VA and FHA loans must be maintained at a level consistent with the demands of the loan market. If the interest rate is allowed to fall behind the market, the availability of money for loans becomes seriously impaired. Several weeks ago, all indicators pointed to a need to increase the rate above the 8% then in effect.

BACKGROUND: The increase to $8\frac{1}{2}\%$ was made on April 28, narrowing the gap in relation to the loan market. In addition to improving the yield for such loans, the increase in the interest rate also effected a reduction in discounts. Both increased willingness of lenders to make VA guaranteed loans and of sellers to absorb the lesser discounts should contribute to an improving housing outlook for veterans.



May 2, 1975
R. D. Semerad

DROP IN UNEMPLOYMENT BENEFIT CLAIMS

QUESTION: What do you feel is the significance of the drop in new claims for regular state unemployment benefits?

ANSWER: Unfortunately, I cannot attach too much significance to the small drop in March. I am relieved that new claims are no longer rising rapidly as they were late last year. But they are continuing to run at a high level.

BACKGROUND: Initial Claims for Unemployment Insurance (seasonally adjusted in thousands)

	<u>1974</u>			<u>1975</u>		
Mar.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
312	410	458	504	548	550	545 p



SOCIAL IMPLICATIONS OF HIGH UNEMPLOYMENT

QUESTION: What if unemployment persists at 7-8-9 million over the next five years, as forecast by your Council of Economic Advisers? What will be the social and political implications of such a massive group of the economically excluded? What do you believe should be done to solve this problem? What concrete plans are you formulating to deal with it?

ANSWER: By April 1975 the civilian labor force totaled 92.2 million workers, or 61.2 percent of the work-age population. Employment totaled 84.1 million, or 91.1 percent of the labor force. Unfortunately, 8.2 million workers were unemployed, or 8.9 percent. This level of unemployment is unacceptably high and I am committed to reducing it as part of a general economic recovery. However, the policy actions for reducing unemployment should not create more problems than they solve. We must focus on what kind of economic results we want 1 and 5 years from now as we direct current policies.

1. My first priority is to put the economy back on track--until the rate of real output gains (real GNP) are back to the 3-3/4 to 4 percent zone, the growing labor force will continue to create unemployment. The amount of fiscal and monetary stimulus now being added to the economy and the prospects for economic recovery are, as I have said, encouraging.
2. In the interim, we have put the automatic stabilizers to work. Unemployment compensation claims for eligible workers have been increased from a maximum of 39 to 65 weeks. In dollar terms, unemployment insurance benefits are programmed to increase from \$6.1 billion in FY 1974 to \$18.2 billion in FY 1976. We have increased outlays for public service jobs, unemployment compensation benefits, income security payments and long-term manpower training and services. These efforts will help moderate the transitional pains for unemployment.

But the only real answer is to return the U.S. economy to a sustained economic growth track. This requires responsible fiscal and monetary policies and specific attention to the basic factors of productivity in our system.



INTERPRETATION OF DECLINE IN LEADING INDICATORS

QUESTION: What is your interpretation of the March decline in the leading indicators index? Was the rise in February a fluke?

ANSWER: I am not inclined to put too much weight on the movement of that index for any single month. Taken together, the results for February and March show a flat pattern for the leading indicators. This should not be taken as evidence that an economic upturn has taken place -- although it is of course a much better picture than the declines of 2 to 3 percent registered in the index each month late last year and in January.

BACKGROUND: Percent change in Composite Index of Leading Indicators

1974

Sept.	-3.4
Oct.	-1.7
Nov.	-3.6
Dec.	-2.1

1975

Jan.	-3.1
Feb.	+0.6
Mar.	-0.5



SHOULD FEDERAL RESERVE BE LESS INDEPENDENT?

QUESTION: Should the Federal Reserve be less independent of the Congress and the Administration?

ANSWER: The Federal Reserve has a vital role as the primary factor in determining the level of credit in the economy, an area which is best left outside the immediate day-to-day political control of Congress. The Administration, which normally can and does take a longer view of the economy and national policy generally than does the legislative branch, should be given greater power over monetary policy in order to design and maintain a consistent and integrated economic program.



MONETARY GROWTH

QUESTION: Do you endorse the Federal Reserve's target of 5 to $7\frac{1}{2}$ percent monetary growth for the next year? Many economists think that is too low. For example, former CEA Chairman Herb Stein has proposed monetary growth of between 8 and 9.5 percent.

ANSWER: My feeling is that the Federal Reserve is on the right track. It is important that monetary policy support vigorous recovery from this recession but, at the same time, not be so unconstrained that it lays the groundwork for a new explosion of inflation. Yes, it is true that some economists recommend higher monetary growth rates, but you failed to mention that others recommend lower numbers. The Congress heard the other day recommendations as low as $2\frac{1}{2}$ percent. All that tells us is that there are many different views of correct policy among economists.



May 2, 1975

TAB B

PROPOSE HIGHWAY FUND DEFERRAL?

QUESTION: Will you propose a deferral of Federal-aid Highway funds for fiscal year 1976 in July?

ANSWER: No decisions have been made concerning adjustments in the 1976 level of Federal-aid Highway funds or the appropriate mechanism for controlling these obligations. We are currently reviewing the impact of recent Congressional action and court decisions as well as current economic conditions and the effects of the additional highway fund releases this year. The Administration will discuss various alternatives under consideration with the appropriate Congressional Committees.



POSITION ON RELEASE OF HIGHWAY FUNDS

QUESTION: What is your position on recent Congressional action releasing \$9.1 billion of deferred Federal-aid Highway funds?

ANSWER: On February 11, I ordered the release of an additional \$2 billion of Federal-aid Highway funds in order to stimulate employment, particularly in the construction industry. This was the maximum amount of additional funds that the States could absorb for new projects on which actual construction could be quickly initiated. At the time of this release, I indicated that the Governors had assured me that these funds could be put to immediate use in highway projects that could be underway by June 30, 1975. The Congressional release of \$9.1 billion in additional funds will not provide any meaningful short-term employment stimulation. In fact, the full economic impact of most of these additional projects will not be felt for many months--long after the economy has begun to recover from the present downturn. This additional demand may then again fuel the inflationary fires that plagued the highway industry last year.

In addition, the Congressional action, which makes over \$15 billion of Federal-aid Highway funds available for obligation in fiscal year 1975, further hinders Administration efforts to develop a balanced national transportation program.

All deferred Federal-aid Highway funds have been released as required by statute.



REVENUE SHARING

QUESTION: What evidence do you have that the general revenue sharing program is worth renewal when the Federal budgets are running such deficits?

ANSWER: I feel that renewing general revenue sharing is an important part of winning the battle against the combined inflation and recession that are major contributors to our Federal deficits.

Without it, states, cities, counties and small communities would have either to cut back essential services causing increased public or private unemployment, or tax or borrow more. That would defeat our objectives to reduce the total tax load and revive the economy.



SIZE OF BUDGET DEFICIT

QUESTION: A number of actions have been taken that raise the budget deficit over the amount in your budget. What is your current estimate of the deficit?

ANSWER: The current estimate of the fiscal year 1976 deficit is about \$60 billion compared with \$52 billion in the budget. The increase is largely because of the need to meet the growing problem of unemployment.



OMB/Walker/4/30/75

Table 1

BUDGET REVISIONS AS OF APRIL 30, 1975
(in billions of dollars)

	<u>1975</u>	<u>1976</u>
February 4 outlay estimate.....	313.4	349.4
Congressional action:		
Tax bill -- outlay changes (social security and unemployment benefits).....	1.9	*
Freeze on food stamp increases.....	.2	.6
Inaction on rescissions and overturn of de- ferrals.....	.5	.7
Foreign assistance appropriation, 1975.....	-.2	-.2
Inaction on legislative reduction proposals.....	.7	.1
Overturn of highway deferral.....	---	.4
Other changes:		
Court actions.....	*	.1
Release of highway funds.....	*	1.0
Public service jobs and summer youth employment..	.1	1.8
Higher use of food stamps.....	.6	.8
Increases in veterans benefits.....	.5	.6
Loss of offshore oillands receipts.....	2.5	---
DOD and HEW.....	3.6	---
Vietnam supplemental.....	.1	.4
Extension of unemployment benefits.....	---	.8
Other.....	.3	-.8
Revised total.....	324.2	355.7
Receipts.....	282.0	296.8
Deficit.....	-42.2	-58.9

* Less than \$50 million.



ELIMINATING FEDERAL DEFICITS

QUESTION: Do you see any real hope of eliminating Federal budget deficits once we're out of this recession? Congress is cutting taxes and pressing for more government spending-- but isn't the tax structure already pitched at too low a level in relation to foreseeable outlays, even if we can return to high economic activity? What do you believe can be done to achieve a balanced budget once more?

ANSWER: A productive U.S. economy is entirely capable of generating adequate tax revenues to support a proper level of public services. The major challenge is to regain control of the rate of spending. In the period FY 1966-68 and again in the 1970's, the rate of increases in Federal spending have gone beyond what the economy is capable of absorbing given the total of public and private claims. Therefore, the outlook is certainly not hopeless, but as I have stated time and again, we have to exercise a fiscal discipline and not finance expensive new Federal programs.



TAB C

IS THE OIL CRISIS REALLY OVER?

QUESTION: Present information indicates that there is an excess of oil on the market, i.e., an oil glut. In view of this, why does your Administration continue to harp upon the severity of the "energy crisis"?

ANSWER: The energy crisis still exists. While its form may have changed since the days of the embargo, it is no less dangerous. The present surplus capacity in oil production results from the fact that major consumers, particularly, the U.S., Western Europe and Japan, have reduced their consumption of oil by 5-10%, much of this reduction in consumption stems from current recession.

If economic recovery occurs more-or-less simultaneously throughout the industrialized free world, there will be a sharp rise in demand for world-traded oil. This demand will be met by those OAPEEC producers who have a combination of production slack and low recovery costs. At that time, market conditions may emerge which would make another increase in world oil prices possible, and once again playing havoc with the American economy.



May 2, 1975

WHY VETO FARM BILL?

QUESTION: Why did you veto the emergency farm bill when farmers are experiencing financial difficulties?

ANSWER: I recognize that some farmers have experienced financial difficulties due to a cost-price squeeze. The aim of the bill I vetoed is laudable. However, its results would be costly not only to consumers and taxpayers but to American farmers in the long run.

Approval of that bill would undermine the successful market-oriented farm policy adopted by this Administration and the Congress. It is a step backward toward previously discredited policies. If used as a point of departure for longer-term legislation, it could lead an escalation of farm program subsidies in succeeding years.

The Administration has taken a number of positive steps to assist farmers. In addition, if unforeseen price deterioration requires action on my part, I will direct the Secretary of Agriculture to make adjustments in price support loan rates for wheat, corn, soybeans, and other feed grains. But it is our expectation that market prices for grains will remain well above loan rates and target prices in the coming year.

BACKGROUND: On May 1, 1975, you vetoed H.R. 4296, referred to as the Emergency Agricultural Act of 1975. In your veto message you state that the Administration has taken a number of positive steps to assist farmers.

The 1976 wheat acreage allotment was recently increased by 8 million acres to 61.6 million acres. This action provides wheat producers with additional target price and disaster protection.

We have also increased the 1975 crop cotton price support loan rate by 9 cents a pound. And we recently announced an increase in the price support level for milk, which, combined with easing feed prices, should be helpful to dairy producers.



Within the past several days, we have completed negotiations with the European Community to remove the export subsidies on industrial cheese coming here -- a step that ensures that surplus dairy products will not be sold in the U.S. market at cut-rate prices. At the same time, we have worked out arrangements which enable the Europeans to continue selling us high-quality table cheese. This solution has enabled us to keep on mutually agreeable trading terms with our best customers for American farm exports.

The Administration has also taken action to protect our cattle producers against a potential flood of beef imports from abroad. The Department of State is completing agreements with 12 countries limiting their 1975 exports of beef to this country. These voluntary export restraint agreements are intended to keep imports subject to the Meat Import Law to less than 1,182 million pounds.



NER
5/2/75

CONSUMER PROTECTION

Question:

Congress is once again discussing the issue of a Consumer Protection Agency. You say you oppose such an agency. What do you propose instead?

Answer:

I propose that we reform our existing institutions of Government rather than set up new ones. Bigger Government is not better Government.

In the Executive branch I have told each of the Cabinet members to work with Mrs. Knauer in seeing that consumer representation in decision making is improved.

And with respect to the independent regulatory agencies, I have submitted several reform measures to Congress already. More will be coming soon.

Also, I will be meeting with the members of these agencies and relevant members of Congress to discuss with them ways they can improve consideration of consumer views in their decisions.

PGN
5/2/75



RAILROAD CRISIS

QUESTION: Do you have a plan or program to deal with the crises of the railroads? Will your new regulatory reform program abolish the ICC?

ANSWER: We are now formulating a broad scale program for rail revitalization, and I expect to submit it to the Congress very soon. The problems of railroads in the United States are very complex, and this proposal will try to attack some of the long-standing causes of those problems, including access to funds for rehabilitation, discriminatory taxation, better control of equipment, and regulatory reform.

I do not propose to abolish the ICC, but, as I said last week to the U.S. Chamber of Commerce, I do view regulatory reform as absolutely necessary to the success of a private-enterprise transportation system in this country. The right kind of reform can provide the consumer with efficient service at a fair price. Without reform the taxpayer will be forced to finance our transportation system.

FURTHER INFO: DOT has drafted a Rail Revitalization Act, which will include some streamlining or by-pass of ICC procedures, a prohibition against discriminatory taxation of railroads, and a \$2 billion loan guarantee program for rail rehabilitation. The proposal would not abolish the ICC. Certain options as to interest payments, additional funding, and the degree of regulatory reform are being presently considered.



TRADE BILL MODIFICATION PLANS

QUESTION: When do you plan to send modifications to the Trade Bill to Congress and what sort of modifications will you make?

ANSWER: My Administration has been discussing this with Congressional leaders with the objective of developing some mutually agreed proposals for Congressional consideration around the middle of the year.

My objective is to find a way to reconcile the desire to encourage more liberal emigration policies on the part of the Soviet Union with Soviet insistence on non-discrimination and noninterference by the U.S. in what they regard as their internal affairs.

I recognize that it will not be easy to work out a formula which will be satisfactory to both sides. But I think the further improvement of U.S. -Soviet relations is so important that a major effort must be made to reconcile these differences. I do not think I should be more precise at this time.



May 2, 1975

TAB E

TRANSFERS OF GOLD FROM SOUTH VIETNAM

QUESTION: Recently there have been reports of a substantial amount of gold transferred out of South Vietnam. Are these reports true? If so, what do you plan to do about it?

ANSWER: There are two categories of gold and many of the press stories have not distinguished between them. The first category is the official gold reserves of the Government of South Vietnam and its Central Bank. This official gold was not shipped out of South Vietnam.

The second category of gold is that held by private citizens; gold ownership was legal in South Vietnam. At some periods in the past such private gold moved in and out of Vietnam in response to market forces. Some of this private gold may have been transported out of South Vietnam in the past few weeks. I would have no way of estimating how much. It belongs to the private citizen owners. The U.S. Government is not holding any gold from South Vietnam.



TREASURY DEPARTMENT

May 2, 1975

DID EVACUATION OF VIETNAM INCREASE RISK TO AMERICANS?

Question: Is it not true that the number of Vietnamese evacuated by helicopter in the end contributed substantially to lengthening the operation and to increasing the risk to American forces?

Answer: The fact that the operation succeeded so successfully indicates that no greater risks were incurred at the end of the operation than at the beginning. Although operations at the Embassy, as distinguished from the airport, took longer than expected, the entire evacuation was accomplished through a single operation and without any increase in the numbers of U. S. military personnel or aircraft. I highly commend our Armed Forces, and I believe all Americans will agree that the operation was fully justified in its entirety. We can all be proud of the manner in which it was conducted without loss of any American lives from hostilities.

(PB) May 3, 1975



SURPRISED BY OPPOSITION TO EVACUATION?

Question: Are you surprised by the amount of opposition in the country and in Congress to the admission of Vietnamese refugees?

Answer: I do not believe the people of this country are opposed to bringing Vietnamese refugees to this country who have no where else to go.

No one would seriously suggest that we should have turned the South Vietnamese boats away from Guam back into the Pacific Ocean or that our navel ships should have refused to pick up refugees from the sea.

As a signatory to the United Nations Convention on the status of refugees, once we authorize entry of a refugee to U. S. territory such as Guam, that refugee is generally entitled to asylum.



HOW TREAT REFUGEES NOW IN THIRD COUNTRIES

Question: How are you going to treat refugees from Cambodia or South Vietnam who are now in a third country?

Answer: First, they must seek asylum in that country or apply through various international organizations for resettlement assistance. Only if they are turned down everywhere else, will we consider a limited number for admission here on a case-by-case basis.

(PB) May 3, 1975



HOW TO JUSTIFY VIETNAM EVACUATION

Question: How do you justify the military operations to evacuate Americans and South Vietnamese from Saigon when Congress had passed no law authorizing the operation?

Answer: The operation, although larger in scale, was no different from the final evacuation operation involving Americans and Cambodians in Phnom Penh. That was done under my executive powers and authority as Commander in Chief and required no legislation by Congress. Prior to each of the operations there were notifications to, and consultations with, key members of Congress; and subsequent reports have gone to the President for Pro Tempore of the Senate and the Speaker -- all without having any objections from those contacted.

(PB) May 2, 1975

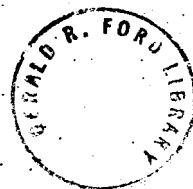


WHY ASK FOR EVACUATION LEGISLATION

Question: Why then, had you asked in your address to the Congress for legislation to include both South Vietnamese and Americans in the evacuations involving U. S. Armed Forces?

Answer: At the time, it appeared desirable to clarify the extent which operations could involve a rescue of South Vietnamese from positions of grave danger if the North Vietnamese were to overrun all of South Vietnam.

When Congress failed to act in time, an emergency situation was created which prevented continued use of fixed-wing aircraft at the Tan Son Nhut airfield. At that time, I acted out of consideration for the safety of U. S. citizens to order the use of helicopters for landings both at the Defense Attache Office Compound and at the Embassy. At both of these locations, there were Americans and Vietnamese congregated. In the process of moving out Americans it was possible to continue the humanitarian evacuation of the intermingled Vietnamese, although the operation also required allowing time for all Americans left elsewhere in Saigon to reach the landing zones and permitted additional South Vietnamese to do the same. If we had had legislation of the type originally passed in the House of Representatives, we probably could have done a more complete job of evacuating those South Vietnamese who were in serious danger of losing their lives because of their relations to the U. S. Government and American firms.



IS WHITE HOUSE A BOTTLENECK TO CIA INVESTIGATION

Question: Mr. President, there have been reports of a "White House lag" and a "CIA stall" with respect to documents requested by Senator Church's Select Committee to investigate intelligence operations. Is the White House being a bottleneck? Will you direct the agencies in the Executive Branch to speed up their responses?

Answer: Senator Church indicated a few weeks ago that the White House has furnished the Committee with all but three or four of the several hundred White House documents the Committee requested. Two of those documents were provided to the Committee last week under special security arrangements, and we have an understanding, I believe, about how the last document or documents should be handled. The CIA and other agencies in the Intelligence Community have not been stalling or dragging their feet in responding to requests from the Senate Select Committee. The CIA alone has provided several thousand pages of materials requested by the Senate Committee. The Select Committee's requests have been extremely voluminous. We should keep in mind that what we are talking about here are very, very sensitive materials, and that it is important that we work together to ensure that the proper security safeguards are in effect with respect to these sensitive materials.

(PB) May 3, 1975



EXPECT A CONFRONTATION OVER INTELLIGENCE ACTIVITY
INVESTIGATIONS?

Question: Mr. President, do you expect a confrontation over Executive Privilege in connection with the Congressional investigations of intelligence activities?

Answer: We are responding to the Senate Select Committee's request in a spirit of cooperation and good faith. We are aware of the Select Committee's responsibility to conduct a full, thorough, and impartial review. They are aware of my responsibilities under the law and within our Constitutional framework with respect to intelligence activities. It is my hope and expectation that if we all continue to approach this matter with a spirit of cooperation, good faith and sensitivity to our Constitutional system, we will not reach the point of irreconcilable disagreements.



TAB G