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THE WHITE HOUSE

WASHINGTON

September 13, 1974

MEMORANDUM FOR: THE OFFICE OF THE
PRESS SECRETARY

FROM: KENNETH RUSH *K.R.*

Subject: Briefing Materials for
the President's Press
Conference

I had the attached listing of questions and answers on economic issues prepared as briefing material and background for the President's upcoming Press Conference. I have attempted to cover all of the most current issues. I hope you find them useful.

Several of the President's economic advisors have indicated to me that they will be submitting additional briefing materials from their agencies directly to your Office.

Attachment (1)

1 Question: Real gross national product has declined now for two consecutive quarters. Do you believe that this constitutes a recession?

Answer: Recessions are defined by the National Bureau of Economic Research taking into account a number of factors such as the severity and the duration of the decline in economic activity and the extent to which it is diffused through the economy. The past two successive quarterly declines in real GNP have not been accompanied by movements in other important indicators that would be typical of a recession. Industrial production has fallen much less than real GNP, the reverse of the normal recession pattern. Manhours worked and other broadly based measures of economic activity have not paralleled the real GNP downturn. And the real volume of business investment has not declined as it has in every recession period.

Yet, perhaps more important while the economic indicators may not suggest a recession yet the economy is not expanding as we would like.

RUSH

DOMESTIC ISSUES BRIEFING BOOK

FROM JOHN CARLSON

1. Equal Treatment for Watergate Defendants
2. Pardoning Watergate Defendants; "The Study"
3. Background: Usual Clemency Procedure
4. Outside Clemency Review

5. Getting the Facts Out
6. Knowing What Was Pardoned; Pardon Scope
7. Timing
8. Integrity of the Law
9. Judicial Determination of Standards

10. Your Credibility
11. Change of Mind; Public Reaction; Agony Intensified
12. Nixon Health; Prepare the Public
13. "Deal"

1. EQUAL TREATMENT FOR WATERGATE DEFENDANTS

(See also "Integrity of the Law" at page 8)

QUESTION: Is it an unjust denial of equal treatment to refuse to pardon the Watergate defendants?

ANSWER: The situation of former President Nixon is very different from that of the Watergate defendants, especially those awaiting trial. */ The Nixon situation is unique.

1. Previous Official Determination. Richard Nixon has already been found unanimously by the House Judiciary Committee to have engaged in substantial misbehavior.

2. Punishment Already Suffered. To resign from the Presidency is a disgrace in history and in the eyes of the people. To be raised to this office, especially by a landslide vote, is to be honored extraordinarily. To leave it under the circumstances in which Richard Nixon did, is to be punished more than any other American leader has. To be sure, there is punishment in any fall from grace, but the depth of Richard Nixon's fall is unique.

3. Public Contribution. In dispensing mercy we should look not only to a man's transgressions but also to his contributions to the public welfare. There may not be unanimous acclaim for Richard Nixon's policies, but perhaps even his severest critics admit that some of his policies advanced the public interest and contributed to world peace. Such contributions are a matter of degree, but Richard Nixon's situation is unique.

4. Public Distress or Polarization. Many Americans would be distressed over the indictment and the appearance "in the dock" of a former President.**/ Because, moreover, a substantial number of Americans would feel strongly alienated from any such proceedings, the possibility of political polarization is real.

The cumulative effect is to make Richard Nixon's situation unique. Perhaps some or many will disagree, but perhaps most Americans can understand why I think the Nixon case is different.

ALTERNATIVE QUESTION: Since all the others were involved in the same crime, ostensibly at the behest of their pardoned leader, how can you justify trying them now?

Note | ANSWER: We cannot know whether the facts about the role of these other defendants are as you state them until there is a trial. When the facts become known, they can be taken into account in the usual way after trial in sentencing and in normal clemency procedures. Those who occupy a position of public trust in the service of a President are morally responsible for their own actions.

*/ and **/ on the following page

Footnotes from 1.

* You might be asked about the Watergate defendants' suggestion that an 1856 Supreme Court case implies that a pardon for one is a pardon for all. You should not comment on a defendant's legal argument to the court.

**/ Some might think that such distress would reflect an excessive and unwise mystique surrounding Presidents and former Presidents, but it seems to be a fact.

2. PARDONING WATERGATE DEFENDANTS: "THE STUDY"

QUESTION: Will you now pardon the Watergate defendants facing trial?

ANSWER: The normal processes of justice will be followed.

FOLLOWUP QUESTION: Does that mean you have decided against any future clemency for (a) those already convicted who have either completed or are now serving their sentences, or (b) those who may be convicted in the future?

ANSWER: The only thing I have decided is that the usual processes should be followed. If I point out that those normal processes include published regulations on Presidential clemency, please do not infer that I am contemplating future clemency.

QUESTION: You said that pardon for Dean and other Watergate defendants is being considered. Did you consider blanket pardoning? If not, what was being studied? Is the study complete? What is the result?

ANSWER:

1. I never contemplated blanket pardons and certainly no general pretrial clemency.
2. The Nixon case is unique. (See elaborated answer on this point.)
3. I did want an examination of proper procedures for processing any clemency petitions that are in fact received.
4. The proper procedure is that any convicted person may apply through the Department of Justice in the usual manner.

3. BACKGROUND: USUAL CLEMENCY PROCEDURE

Under published regulations, after conviction and sentencing one ordinarily applies for Executive Clemency through the Department of Justice. Upon receipt of the petition, the Attorney General uses the Office of the Pardon Attorney and reviews the request, conducts whatever investigation is necessary, and then forwards recommendations to the White House.

Before petitioning for a pardon, one who has been imprisoned must ordinarily, under existing regulations, wait three years -- or five in certain cases */ -- after his release. (Nothing prevents the Attorney General from making appropriate adjustments in this requirement or from amending his regulations generally.) There is no fixed waiting period for requests for the commutation of a sentence. (Commutation is usually granted only when other relief is not available from a court or parole board, but exceptions are provided for in the regulations.)

The President does not ordinarily review personally each clemency recommendation from the Justice Department. There are too many of them. Under past practice **/ Justice Department recommendations were reviewed by White House counsel who could forward them for personal Presidential attention where necessary.

*/ Such as perjury or the violation of a public trust involving personal dishonesty.

**/ We do not necessarily want to commit ourselves to preserving this practice.

4. OUTSIDE CLEMENCY REVIEW

QUESTION: Would it not be better to have the Special Prosecutor's Office or independent advisors outside of the government make recommendations relating to clemency petitions from Watergate defendants?

ANSWER:

1. The Office of the Pardon Attorney was established to process petitions for clemency so that the individuals who prosecute an individual are not the same ones deciding whether he should get clemency. The prosecutorial role of the Special Prosecutor could be inconsistent with the role of evaluating a petition for clemency.

2. Processing petitions for clemency is not a part of the responsibility of the Special Prosecutor as set forth in the regulations for the Department of Justice.

3. Although outside review by persons outside of the government does have certain advantages, there should be a presumption in favor of regular procedures. And I have no reason to believe that this function is not best performed by those persons who do it on a regular basis. They do, incidentally, in the process of preparing their recommendations, solicit the opinion of the prosecutor and make appropriate additional inquiries.

4. Note: As to any fear that the Pardon Attorney (who was appointed during the Nixon administration) might be too lenient with regard to Nixon administration officials involved in Watergate: I have no reason to think so. The Attorney General will, of course, take appropriate steps to insure impartial consideration. Furthermore, Justice Department recommendations will be reviewed in the White House.

5. Note: As to any fear that the usual standards for Justice Department clemency recommendations are too restrictive or too harsh: I am confident that the Justice Department administers its clemency responsibility conscientiously and if any change in its procedures or standards are warranted, I am sure that the Attorney General and the Deputy Attorney General will consider them.

5. GETTING THE FACTS OUT

QUESTION: Does the pardon mean that the people and the history will never know the full facts about Richard Nixon's possible crimes or other misbehavior in office? */ Is the pardon another coverup?

ANSWER:

1. The American people already know a great deal about the Nixon Presidency.

2. The House Judiciary Committee has published its official findings on Richard Nixon's behavior in office.

3. The pardon does not itself preclude any report on all matters within the Special Prosecutor's jurisdiction, at a time and in a manner consistent with his responsibilities.

(a) The Special Prosecutor already has the materials related to the Watergate coverup.

(b) Any other needed information may well be available in connection with other proceedings and, wherever Mr. Nixon himself is a witness, the pardon prevents any Fifth Amendment claim to silence based on the possibility of incrimination under Federal law.

(c) It is possible that other arrangements for access to the Nixon files might be worked out. I myself have long urged and will continue to urge full disclosure by Mr. Nixon.

*/ Another form for this question:

Do you agree with former Special Prosecutor Cox that "the guilt or innocence of a high official charged with crime, especially a President, should be determined once and for all by the established procedures of justice in order to lay to rest claims of political vendetta. To short circuit the process invites endless uncertainty and division."

6. KNOWING WHAT WAS PARDONED: PARDON SCOPE

QUESTION: Was it wise to pardon Richard Nixon without knowing what, if any, offenses he might have committed?

ANSWER: The Watergate coverup charges are pretty well known and I did have information from the Special Prosecutor's office that not even probable criminal guilt could be established with respect to an additional 10 specified allegations concerning Mr. Nixon.

FOLLOWUP QUESTION: Does that mean that evidence of crime in these or any other now-unspecified matters might not turn up in the future?

ANSWER: One can never be certain what will appear in the future. */

QUESTION: A pardon for Watergate can be understood to serve a national purpose, but why a pardon that covers possible tax fraud as well? Wouldn't the nation be better served by a demonstration that even a President cannot cheat on his taxes?

ANSWER: What really mattered was Watergate and the resulting harassment of the former President. Anything less than a full pardon would have left open the door to continued attacks and would have defeated my purpose which is to put this whole affair behind us.

*/ Note: This is a very troublesome point. It would be unwise to make any predictions or estimates that additional and significant improprieties might not yet appear.

7. TIMING

QUESTION: Why did you grant the pardon when you did? Wouldn't it have been better to wait (1) until indictment, if any, and trial of Nixon, (2) until wider consultation with Congress and the public, or (3) until the jury in the Watergate trials is sequestered?

ANSWER:

1. Once I had decided that Mr. Nixon should, as an act of mercy, be spared any imprisonment, there seemed to be no reason to open him and the American people to the distress of a trial.*/ Under these circumstances, a trial seemed unnecessarily harassing and vindictive toward him and pardon

NOTE: See separate answers on

- getting the facts out
- getting a judicial determination of standards
- what was pardoned

2. More consultation might have been preferable, **/ but I never doubted the wide diversity of views on this subject. Consensus did not seem possible.

3. Some may think that a pardon for Nixon before the jury is sequestered in the Watergate trials might possibly be thought prejudicial to the defendants, but that is a matter for the courts to decide. Accordingly, further comment on this point by me seems inappropriate.

*/Does not explain failure to wait for an indictment.

**/ The Attorney General might appropriately have been consulted about both substance or form, but you had advice of counsel and based your judgment on your own fundamental conception of mercy and on broad considerations of the national interest.

8. INTEGRITY OF THE LAW

QUESTION: Doesn't the pardon mean that significant personages violate the law with impunity while the more humble suffer the law's full rigors? */

ANSWER: This concern is understandable but

1. All persons -- Presidents included -- are subject to the law. And I believe that the law has triumphed in Watergate. It has routed out and put a stop to the Watergate wrongs.

2. In a very real sense the nation has rendered a verdict on Richard Nixon.

3. Clemency is also a part of our system of law. To pardon is to forgive and not to excuse the conduct that may have been involved.

4. It is a unique act of mercy for a man

- (a) whose conduct has already been found unacceptable but
- (b) who has already suffered greatly
- (c) who has surely contributed to the public interest in some respects, and
- (d) whose trial would have distressed many of the public.

5. The whole Watergate situation is unique.

ALTERNATIVE QUESTION: Is this pardon a precedent that no President should ever be tried for his possible crimes?

9. JUDICIAL DETERMINATION OF STANDARDS

QUESTION: Doesn't the pardon mean that the courts will never have the occasion to define appropriate standards of conduct for Richard Nixon and other Presidents?

ANSWER:

1. The courts are not the exclusive institution by which governmental standards of conduct are determined. */
2. The courts may have occasion to consider such standards in other cases.
3. The House Judiciary Committee has already made historically significant determinations of this sort.
4. The proper standards of behavior seem quite clear with respect to most Watergate related matters. **/

*/ Constitutional history and other institutions have a very major role in this process.

**/ Whether this is true with respect to the ten other matters of the Special Prosecution Force, most cannot be fully known at this stage.

10. YOUR CREDIBILITY

QUESTION: What do you plan to do to restore your credibility and regain the trust of the American people?

ANSWER: I hope that my credibility is not lost. The country knows that controversial decisions are not always popular. And I have changed my mind on this question. But I hope that even those who disagree with my decision understand that every statement I have made on this subject represented my genuine thinking at the time. Candor is the basis of trust, as I intend to go on speaking sincerely, even when I change my mind.

11. CHANGE OF MIND: PUBLIC REACTION: AGONY INTENSIFIED

QUESTION: Do you now believe that you were correct at your last press conference when you said a pardon now would be unwise and untimely?

ANSWER: As I have said, I reconsidered my earlier judgment and came to believe that a pardon was a proper act of mercy that best serves the interests of the nation. I fully understand that it would have been better for me politically to have stayed with my earlier position, but that is not my criterion.

QUESTION: Did you consider or suspect the public reaction that actually occurred to your pardon of former President Nixon?

ANSWER: I knew there would be great concern. I did not try to predict its extent, because I believed and still believe that the grant of mercy was the right thing for me to do.

QUESTION: Hasn't the pardon intensified national agony as much as a trial of the former President would have?

ANSWER: Although the matter is not capable of clear proof either way, I believe that the adverse national consequences of a Nixon trial and possible additional punishment would have been much greater.

12. NIXON HEALTH: PREPARE THE PUBLIC

QUESTION: Was the timing dictated by what you viewed as a health emergency?

ANSWER: As I said in my speech, the former President's health was a factor, but not in the sense of an emergency. My concern is for the very long time needed to start and complete a trial, and once the decision was made, the sooner the better.

FOLLOWUP QUESTION: If not, why did you not do something to prepare the American public for your reversal instead of acting precipitously?

ANSWER: In a matter this controversial there is not much that can be done to "prepare" the public as you put it. All I could do was to explain my reasoning openly and candidly, which I did.

13. "DEAL"

QUESTION: The concern has been expressed here and there that the pardon arose from some "deal."

ANSWER: There was no deal. Had there been any such deal I would not have indicated at my last press conference that indictment and other legal process should probably precede a pardon.

QUESTION: Is it true, as reported in the press, that Haig and Kissinger conveyed Nixon's desire for a pardon to you indirectly before he resigned? Did you indicate to him in any way that you would grant a pardon?

ANSWER:

QUESTION: When did you decide to pardon the former President?

ANSWER:

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.

3 Question: What economic conditions do you anticipate during the second half of the year?

Answer: During the second half of this year we expected only a very mild growth of output. Business investment and the recovery of automobile and other energy related goods whose use was severely curtailed last winter will help lift the economy. But these sources of strength will be largely offset by the low pace of housing construction and the sluggishness of real personal consumption expenditures.

5 Question: Are there still capacity and materials shortages?

Answer: Capacity and material shortages continue, but the latter are easing in some sectors.

The shortage of petroleum products has eased substantially.

A Department of Commerce report of August 23 indicates:

- Ferrous scrap supplies remain tight and foreign demand continues strong. Prices were at their highest monthly rate (\$126.33) in July.
- Steel mill products also continue to be in short supply, with the situation aggravated by the decline in imports and the rise in exports. Steel makers are worried about raw material availability, principally coal.
- Polystyrene and other plastic materials have been in very short supply for the past year. Dow Chemical recently announced price increases, explaining that the increases were needed to generate over \$1 billion for expansion of styrenic production facilities.
- Heavy earthmoving machinery production has been slowed by shortages of steel, forgings, castings, and bearings.

7 Question: Some economists such as Mr. Galbraith advocate tax increases to reduce inflation. Others advocate tax reductions to lessen the burden of inflation. Do you believe there should be a tax increase or reduction at this time?

Answer: We do not believe that an increase in taxes is appropriate at this time. It takes time to propose tax changes and get them adopted. We believe that a decrease in taxes would be completely inappropriate at the present. It would add to inflationary pressures at the very time we are struggling to bring the budget into control.

The expenditure side of the budget is the key to the control of inflation. We propose to slow the rapid increase of Federal spending and achieve the anti-inflationary impact of a balanced budget through control of expenditures.

8 Question: What is the status of tax reform? Is tax reform a matter of priority for the Administration?

Answer: Genuine tax reform has been and will continue to be high on the list of goals we must accomplish in cooperation with the Congress. Last year the Administration proposed to the Congress major tax reform. This proposed legislation seeks both to simplify the tax system for the average citizen and to make our tax laws more equitable. We would assure that those who enjoy a high income and have an ability to pay do not--by so-called tax shelters or other devices--escape paying their reasonable and fair share of income tax.

This year, the Treasury for many months worked with the Ways and Means Committee on tax reform. Much, but not all, the tax reform that we asked for is already reflected in this tax reform bill that the Committee is now writing.

We will continue to provide leadership in tax reform and to work in close cooperation with the Congress to achieve fully our joint goal of making the tax system as equitable, as fair and as efficient as possible.

1. The Committee has not provided as much tax reform as we proposed. Our proposals would have effectively eliminated tax shelters and assured that everyone pay an amount of tax which is reasonable in proportion to his income. Committee's version won't accomplish that--but is a limited step in the right direction.
2. The "tax simplification" measures adopted by the Committee along the lines of our proposals are good. A new "simplification deduction" from \$350 to \$650 will replace a number of hard-to-compute deductions which have caused taxpayers difficulties in filling out returns. Most taxpayers will pay less tax under the simplified system. (Over-all the substitution loses about \$300 million of revenue.)
3. The total package is progressive--gives more to lower income people than higher income.
4. The bill also contains some relief for small business and the Committee adopted most of our recommendations to remove existing tax discrimination against public utilities and to help them meet the energy needs of their customers.
5. Total package gains a little revenue in FY 1975. That is a most important feature. We have been careful not to recommend any changes which will cause the total package to lose revenue.
6. Over-all, the bill presents a reasonable balance and some significant accomplishments, although we would have preferred stronger action to eliminate tax shelters and strengthen the minimum tax.

9 Question: What will the impact of the drought in by Midwest be on food prices?

Answer: It is difficult to know at this juncture but we do estimate that the drought will mean a larger increase in food prices over the next year or so than had been anticipated.

Neither the full impact of the crop shortfall in the U.S. nor the final size of foreign harvests can yet be accurately determined. We are watching these developments closely and have underway a program of close consultations with other countries.

10 Question: What are the specific cuts that will be made in order to reduce this year's budget below \$300 billion?

Answer: I have asked the Director of the Office of Management and Budget, Roy Ash, to work with the Congress in finding ways to cut the budget. He has begun those discussions. There will be no list of specific budget cuts until agreement is reached with Members of Congress.

11 Question: The new Budget and Impoundment Control Act requires the President to send to the Congress his recommendations for deferring or rescinding funds. Do you plan to send any recommendations soon?

Answer: A number of recommendations will be sent to the Congress in the next few weeks. As you know, we plan to work with Congress in finding ways to reduce the current budget. But even before those ways are found, it will be necessary to continue to hold funds that are presently impounded. In the next few weeks, I will be sending to the Congress messages which will seek their agreement under terms of the new Act to continue to withhold funds.

12 Question: This week's National Journal says that budget ceilings have been given to the agencies which add to a figure of \$328 billion. It also says that your Office of Management and Budget cut agency spending figures by about \$11 billion to reach that figure. Is this true?

Answer: As I stated in my message of August 12, I intend to submit a balanced budget for 1976. It is true that the Office of Management and Budget has sent letters to each Federal agency asking them to develop their budget plans so as to come in with a balanced budget. This means that agencies will have to find ways to cut spending that would otherwise occur in the amount of at least \$10 to \$15 billion.

13 Q. - Will future offerings of Treasury securities provide for \$1,000 minimum purchases or possess other features designed to permit the small investor to participate?

A. - The Treasury traditionally issues notes and bonds in \$1,000 minimum denominations and Treasury bills in \$10,000 minimum denominations. I would note that the Treasury has a note maturing on September 30 and a bond and note maturing on November 15. It is likely to expect that these securities will be refunded in the traditional manner.

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

ANSWER - I recently signed a bill which 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.

8/23/74

Labor

1
Question: What big contract settlements are on the near term calendar?

Answer: In the next six months major agreements in the longshore, bituminous coal, aerospace, railroad, and oil industries will be subject to change. An agreement covering 35,000 of the 50,000 longshoremen whose contracts expire on September 30 has already been ratified. The upcoming negotiations in the bituminous coal and oil industries are of course of great importance to the nation in terms of assuring an adequate energy supply for industry and the public. A prolonged work stoppage in either of these two industries would have serious consequences. I hope that the parties involved will be mindful of that fact. In all negotiations, of course, I am counting on everyone's support as we seek to solve the problems of the Nation's economy.

2 Question: Why are there so many strikes at this time?

Answer: With the expiration of economic controls in April 1974, it would be unrealistic not to expect that labor would in some instances utilize its economic weapon to attempt to catch-up with those wage and benefit increases which were previously denied. But, we should also be aware that there were some notable successes in the 1974 bargaining year to date. Peaceful settlements in the can, aluminum and steel industries were reached months before the expiration of previous agreements. A pattern settlement in the East Coast longshore negotiations was reached three months before the expiration of the current contract, and significant progress has been made to date in local port bargaining. In other large industries, such as copper mining and smelting and telephone communications, where some strikes did occur, settlements covering the majority of employees were reached without work stoppages. This shows a heightened level of public responsibility on the part of labor and management which I am hopeful will continue in the coming months as we search for solutions to the Nation's pressing economic problems.

COAL STRIKE

3 Question: United Mine Workers recently had a memorial five-day shutdown. This is only a prelude to the threatened national shutdown when their contract with the coal operators expires on November 12. We understand that this could have a disastrous effect on the economy of this nation, and I wonder if you would tell us what you and your Administration are doing to avoid such a calamitous situation?

Answer: As you know, I have been meeting with my advisers within the Administration and labor leaders, generally, concerning problems which face the nation's economy. There is no question that a national coal strike would have very serious consequences and, thus, I am taking steps to insure that the Administration does everything in its power to protect the national interest.

Although we had a 46-day national coal strike in 1971, the economic impact was not too severe overall, primarily due to the large stocks of coal which the users had on hand. However, current coal stocks are substantially lower than they were in 1971 and a prolonged strike could have a severe adverse impact on this nation's economy.

My Special Assistant, Bill Usery, who is also Director of the Federal Mediation and Conciliation Service, has been working with all parties to this dispute for many months. In addition, other officials of my Administration, are developing comprehensive plans to insure that the Government's actions are designed to provide maximum help to both sides, in order to avoid, if possible, a national shutdown this Fall.

Although I was concerned about the recent five-day memorial work stoppage of the United Mine Workers -- because of its impact on our critical need for energy -- the normal avenues of collective bargaining are open, and I believe that it is through direct communication between the parties that these disputes can most successfully be resolved. I am urging both parties to bargain in good faith and I am hopeful that the collective bargaining process will work successfully in solving the problems of the coal industry.

Housing

Energy

2 Question: What will be the effect on oil prices of the current drive by the oil producing countries to increase their revenues?

Answer: World oil prices are very high right now. Many of the economists who have been advising me in our summit meetings on inflation have pointed out that the drastic increases in oil prices are central to a lot of the problems which we are experiencing today.

The OPEC nations have not taken any definite action yet. I am still hopeful that they will not take any actions that will push prices still higher. If they do, this is even more reason why we have got to move rapidly in developing our domestic supply of oil under Project Independence.

3 Question: You have the authority to roll back domestic crude oil prices. Won't that help solve inflation?

Answer: I don't think that it would. We are importing 6 million barrels a day from foreign countries. I can't rollback those prices. We have held the price of old oil to \$5.25 while imported oil is selling for more than \$9. We have allowed the prices of newly discovered oil to rise to market levels. This is because we want to encourage producers to go out and find more oil and to do a better job of getting production out of existing wells. Only in this way can we achieve independence from foreign oil producers and ultimately bring down the cost of oil.

If I were to order a rollback in the price of domestic oil I would discourage future production, make us even more dependent on the foreign sources, and ultimately produce far more inflation than we have today.

What are the chances of another oil embargo?

The oil embargo last winter, coupled with the massive increase in world oil prices, has been a severe blow to every oil consuming country in the world. Since that time, we have been working closely with the oil producing nations to see that this kind of thing does not happen again. As a result of Secretary Kissinger's effort in settling the Mideast war and our close relationship with the oil producing states since that time, I have reason to believe that a renewed embargo is unlikely in the near future.

But we cannot be complacent about this. The best long run approach for us is to look to energy conservation and an increase in our domestic energy production so that we will no longer be vulnerable to another embargo attempt.

6 Will we have another fuel crisis this winter

We feel confident that there will be sufficient energy supplies for the entire winter. Domestic oil supplies have increased above last year's level, and world supplies are also plentiful. Indeed, it has recently been reported that many of the OPEC countries are reducing production because of substantial surplus. However, an embargo of the magnitude which the OPEC countries imposed last year would significantly affect domestic supplies.

While it is fairly clear that natural gas is in short supply, and that some industrial customers, particularly in the Northeast may face cutbacks in natural gas availability, we feel confident that these shortages can be absorbed through alternative energy sources, such as propane. In the long run, we hope that the Congress will decontrol new natural gas to provide an incentive to producers to intensify their search for new gas supplies.

With regard to coal supplies, there should be sufficient supplies unless there is a national coal strike. Such an event would cause problems for the nation's electric utilities, which are so dependent on coal as a primary energy source. At present, we are working hard to encourage an increase in coal supplies to reduce any hardships which might ensue from a strike.

7

Q. Are oil profits too large?

A. Oil industry profits are certainly large and have been growing rapidly since the second half of 1973. A recent study by Treasury of 19 U.S. oil companies, however, has placed the profitability of the industry in better perspective.

That study showed that about three-fourths of the increase in 1st quarter 1974 profits over 1st quarter 1973 was attributable to either non-petroleum business activities (such as chemical and tanker operations) or non-recurring illusory sources (such as inventory profits and foreign currency profits). When these factors are subtracted, we find that profits of ongoing petroleum operations increased 21%--although that is a sizeable increase, it is more in line with the general experience of the economy during the 1st quarter of 1974.

The Treasury Study furthermore found that oil industry profits, as measured by the average return on investment since 1958, fell within the middle range of all major U.S. industries.

It is important to remember in this regard that the Administration remains firmly in favor of the windfall profits tax it proposed last December.

8 Are you planning to lift the price controls on oil and petroleum products?

As you know, we currently have a complex two-tier pricing system, with "old" oil controlled at \$5.25/barrel and "new", "stripper" and "released" oil at free market prices which are averaging about \$10 per barrel. We are aware of the fact that the two-tier price system may work a special hardship on independent oil refiners and marketers, many of whom are dependent on the more expensive foreign oil.

Methods have been proposed for equalizing oil prices in order to remove the unfairness to those independent oil companies. If the prices were to be equalized, we hope to avoid the realization of exorbitant windfall profits by certain oil producers by the enactment of a windfall profits tax which is now under active consideration by the Congress.

At the same time, we are concerned about the impact any removal of price controls would have on the consumer. Since the consumer is already suffering a tremendous burden due to the tremendous jump in oil prices in the last year, I do not favor removal of price controls at this time. Lifting of price controls would not result in increased domestic productivity.

9
What progress have you made in your national energy conservation effort?

While the end of the Arab oil embargo reduced much of the enthusiasm for a concerted national conservation effort, we have not diminished our efforts to direct industry and citizens to conserve energy.

Indeed, the Federal Energy Administration is developing and seeking to implement energy conservation programs. As you know, the 55 mile per hour speed limit was but one of the many measures the FEA has developed to induce citizens to conserve energy. Beyond this, the FEA is attempting to have private industry adopt energy conservation programs to reduce wasteful consumption without interfering with their normal operations. We have also encouraged retrofitting of homes and adjustment of thermostats. Conservation remains the best means in the short term of bringing domestic energy demand in line with our ability to produce energy. Moreover, the success of our conservation efforts will substantially assist in the fight against inflation and in improving our balance of payments.

Energy conservation is a slow process because it involves altering existing lifestyles. However, we are confident that our programs will achieve perceptible changes in energy consumption.

What new energy technology is being developed to help solve the energy crisis?

The U.S. has several new energy technologies which are promising. Nuclear power is just emerging as a major commercial energy source and is expected to play a growing role during the next 15 years. A number of other technologies, such as oil shale and coal gasification and liquefaction, are now in the pilot plant stage. With aggressive implementation, these technologies could have a significant impact on U.S. energy supply by 1985. There are also several technologies which may have a significant impact after 1990. These include breeder reactors, nuclear fusion, solar, and geothermal energy sources. We are devoting a large research and development program to these technologies. These new technologies will help us to reduce our dependence on our gradually depleting oil reserves.

*U. S. ECONOMIC LEADERSHIP

Q Given current domestic and international economic problems, can the US maintain its economic leadership in the years ahead?

A. I think it can -- indeed in some respects, it must. But this leadership will be in the form of promoting international economic cooperation rather than in attempting to dominate or to solve the world's economic problems by ourselves. The world economy, under our leadership, has become increasingly integrated and thus increasingly interdependent over the past three decades. The gap between us and other nations in terms of GNP has, of course narrowed. For example, the US accounted for almost half of world output at the end of World War II, compared to a little more than one quarter now. The narrowing of this gap was again promoted by us, and it is good for us.

We must also remember that, although our economic problems are serious, most other countries are experiencing similar problems, in many cases worse than ours. Japan, for example, has an inflation rate more than double ours; prices in most Western European countries are increasing faster than ours. We are having some problems in financing the huge increases in our oil import bill, as well as in paying for various other imported raw materials. But practically every other major country is more dependent on outside sources for these commodities than we are and is thus having more difficulties. Our relative strength is thus increasing, not decreasing.

Our problems are global problems. We can't solve them alone and neither can any other one country. But that does not mean that we are helpless. We still have by far the largest economy in the world, larger even than the entire European Community combined. Our size gives us additional responsibilities, but it also gives us strength. In fact, more of the world's economic problems, such as food, energy, or trade inequalities, cannot be solved without our active cooperation. Our leadership thus is necessary and it is in our best interests to provide it.

INTERNATIONAL ECONOMIC OUTLOOK

2 Q We hear many pessimistic assessments of the state of the world economy. Are we headed for a serious economic slump?

A No. We do expect a period of slow growth rates but no depression. Most of the problems troubling the world economy have come about from a simultaneous economic expansion around the world, the energy crisis, and bad luck in the weather which has hurt food production. These events have spurred world-wide inflation, but we have not seen nor do I expect any serious increase in unemployment. For the coming year we can expect a rate of growth in the developed countries of about 3%, which is certainly not indicative of a recession, much less a depression.

I believe our main concern is to reduce inflationary pressures by a measured increase in growth. This will ease cost pressures and help to forestall further rapid price increases.

So I foresee no world-wide economic slump, but rather a modest rate of real growth. The cupprit is not unemployment but inflation, and the best place to begin the cure is with the world's largest economy, that of the United States.

TRADE BILL

Trade Bill Timing

3 Q As the Senate Finance Committee has not reported out the Trade Bill and the Senate is now in its Labor Day recess, are you still hopeful that a Trade Bill can be enacted this year?

A I understand that the Senate Finance Committee is making good progress on the bill, which has already passed the House. As I stated in my address to the Congress, the Trade Bill deserves a high national priority. I believe that the Congress shares this view of the bill's priority. I strongly urge prompt Senate action so that a good trade bill can be enacted into law in the coming weeks. I am quite confident that this will occur.

TRADE BILL

Jackson/Vanik Amendment

4 Q: Has the Soviet emigration problem, which has held up progress on the Trade Bill, been resolved?

A: The Jackson/Vanik amendment is being actively worked on by the Administration and the key co-sponsors of that provision. Very good progress has been made in recent weeks and only a few details remain to be worked out. I believe this matter no longer will be an obstacle to enactment of the Trade Bill.

Presidential Discretion

5 Q I understand that several of the tentative decisions of the Senate Finance Committee would require, in several factual situations, that restrictions be placed on the commerce of foreign countries. Do you think that this will endanger the open and fair trade policy that the United States has pursued for the last 40 years?

A I believe it would be a mistake to lock any President into mandatory actions against other countries, triggered by a specified set of circumstances placed in the law today to cover future events. A primary reason for having an Executive is so that you have someone exercising judgments in the national interest in administering the laws of this country. The Congress has the Constitutional right and duty to establish overall trade policy. Once they have done so the Executive ought to have a reasonable degree of flexibility in carrying out the directives of the Congress.

Background

Some mandatory provisions have been tentatively decided upon by the Senate Finance Committee. For example, the President must impose import barriers where imports are found by the Tariff Commission to be causing serious injury to a United States industry. However it may be, that in a given factual situation the President might wish to disagree with a Tariff Commission finding, or find that financial benefits to affected firms and workers would be better policy than imposing import restrictions, or that the strain on our trading relations with other countries would be too great if the import restrictions were put into place.

Need for Negotiations

6 Q It now appears a compromise trade bill will be enacted by Congress, giving the US authority to negotiate lower tariffs. In view of profound changes in the global economy in the past year what do you feel are the prospects for negotiations to move forward?

A Although the fight to curb world inflation is the number one problem today, we feel that free trade is still an essential goal. The reduction of trade barriers is just as important now as ever, even though current problems may make agreement more difficult.

8 Q: The World Food Conference is scheduled to meet this November. In light of the increasing cost of food, what is the U.S. position on providing food aid and maintaining food reserves?

A: Assurance of world food security is the common responsibility of all countries. The present low level of global grain reserves has made the people of the world dependent for survival on good weather - an intolerable position. The United States is actively engaged in the World Food Conference efforts to insure the availability of adequate food supplies in case of widespread crop failure or natural disaster. The principal theme of our efforts is that the food reserves be adequate and the burden of holding reserves is equally shared among all countries both importers and exporters. I recognize the difficulties we might encounter in the short run in building up reserves, given this year's bad weather. However, we must not let this overshadow the long-term benefits that will be gained from this effort.

9
Question: What are we doing to offset our potential trade deficit?

Answer: To offset the potential trade deficit resulting from the \$10-12 billion addition to the nation's oil bill, the Department of Commerce is:

- Pressing Congress for passage of the trade reform bill and increased lending authority for the Export Import Bank.
- Assisting in the establishment of Joint Commissions with Saudi Arabia, Egypt, and other Near East countries, aimed at expansion of trade and the overall development of this oil rich region.
- Through joint commissions, trade missions, trade fairs and special project assistance, expanding U.S. sales in the U.S.S.R. and other centralized economy countries.
- Aggressively encouraging smaller U.S. firms to enter the export field through sales efforts by Commerce's 42 field offices across the country.

PAN AM FINANCIAL CONDITION

Pan Am recently filed a petition with the CAB requesting an interim mail pay subsidy of \$10 million per month. The filing indicated that the Pan Am situation is much worse than previously suspected and that Pan Am could face bankruptcy late this year. Is the government going to bail out Pan Am like it did Lockheed and Penn Central or do you plan to let Pan Am go into bankruptcy?

I have asked Secretary Brinegar and Ambassador Eberle to develop a set of options and recommendations with respect to Pan Am which will be cleared with relevant agencies and forwarded to me for a final decision. It is possible that a decision will be required while the Congress is not in session and I have, therefore, asked for the recommendations as soon as reasonably possible so that I can consult with key Congressional members before the end of the session.

So, in direct answer to your question, I will make a decision with respect to the Administration position on Pan Am only after considering all of the options and consulting with the relevant committees in Congress.

The Pan Am subsidy request was made to the CAB and the Administration has no control over the CAB decision except through filings in the CAB proceeding. In short, the decision as to whether Pan Am should be granted a subsidy lies primarily in the hands of the CAB.)

***BAUXITE CARTEL**

12

Q Major bauxite producers under Jamaica's leadership are seeking to emulate the oil producing countries and raise the price of bauxite. How does the US government view the bauxite producers action?

A In the short-run, the United States and other countries that import bauxite have little choice but to pay the higher taxes. These countries should realize, however, that their action is accelerating research on the use of low-grade ores in which the US is self-sufficient.

U. S. S. R.

13

Q Mr. President, MFN is evidently an important issue for the Soviets. What do you think of the outlook for US-Soviet trade if a compromise with the Congress on this issue is not forthcoming?

A First, let me say I think a compromise is forthcoming. Growth in US-Soviet trade obviously will be hampered without MFN, but we'll cross that bridge when we come to it.

14

Q Mr. President, what is your attitude toward extending EximBank credits to the USSR when the Soviets have refused to provide information on their foreign exchange and gold as requested by EximBank?

A I would expect them to be more forthcoming, but that will have to be the subject of further discussions between Mr. Casey and their people. And, of course, we'll have to see what sort of trade bill the Congress passes.

15

Q Since the Soviets have greatly improved their payments position as a result of high prices for their oil and gold and their arms sales to the Middle East, what is your attitude toward extending EximBank credits to them?

A In spite of the gains you mentioned, they still seem interested in these credits. In any case, we'll have to see what sort of trade bill the Congress passes.

16

Q If the MFN issue is resolved, will the US buy more oil from the USSR? (US imports of oil from the USSR have risen from \$7 million in 1972 to more than \$100 million thus far in 1974.)

A Yes, if the price is favorable. We want to diversify our sources of supply, and the amounts involved are very small in comparison with our total oil consumption.

17

Q Are you willing to sell large amounts of grain to the USSR, when the US Department of Agriculture has just cut its estimate of the US crop?

A It looks as if the USSR will have a reasonable good crop this year, and their grain stocks are high. So I don't expect them to seek large quantities of US grain this year. But if they do make inquiries, we'll have to study very carefully our own needs and the needs of other countries which are very high.

18

Q What is the status of negotiations with the USSR on LNG (liquified natural gas) projects? Are we going to invest billions of dollars in these ventures, when we can put that money into domestic projects.

A These projects are still very much up in the air. (The North Star Project (Western Siberia) is in a state of "suspension"; negotiations on Eastern Siberia (Yakutsk) are still going on.) Decisions on Project Independence will help determine US policy on the LNG venture.

19

Q Do you think we are in danger of transferring too much technology to the USSR, technology that could endanger our security?

A We are now making a careful review of this subject. We want to steer a middle course. We want our businessmen to have every fair opportunity to do business with the Communist countries. Yet, there are some aspects of technology which we will want to keep at home or export only after careful consideration.

20

QUESTION - What are the next steps in reform of the international monetary system?

ANSWER - The group charged with formal negotiations on monetary reform completed its work in June and agreed on a set of immediate measures of particular importance in the current situation. These measures are now being implemented and form the basis for a cooperative development of the system in the future. We will be working closely with our foreign partners in the weeks and months ahead to ensure the satisfactory operation and evolution of the system.

BACKGROUND - The package of immediate steps agreed in June includes:

- a) Creation of two international committees to ensure that the principle of cooperation is translated into effective action;
- b) Establishment of benchmarks against which to measure the appropriateness of governmental policies in the present situation of international financial uncertainty;
- c) Measures of concrete assistance for countries facing difficult financial problems;
- d) New procedures to guide the operations of the monetary system; and
- e) Action to strengthen the role of the internationally created reserve asset.

ARAB INVESTMENT IN THE U.S.

21. Question: The rise in oil prices has created huge pools of excess funds in the hands of the oil producers which they could use to buy control of U.S. industry. Is this a threat to the U.S. economy and what is the USG going to do about oil producers investing billions of dollars in the U.S.?

Answer: Oil producers have not obtained control of any major U.S. companies and there is no evidence that they intend to do so. So far the bulk of oil producer funds coming into the United States have gone into portfolio investments not involving control of U.S. firms, and we have substantial existing legal authority to protect our national security interests should the need arise. In addition we receive substantial benefits from foreign investment here as it helps us finance the increased cost of our energy imports and provides an additional source of funds for our enormous capital needs. Therefore, we intend to continue our established policy of welcoming foreign investors to the U.S. and treating them on an equal basis with U.S. investors.

FOREIGN PARTICIPATION IN THE U.S. ECONOMIC CONFERENCE
ON INFLATION

22. **Question:** Why are foreign countries being left out of the U.S. Economic Conference on Inflation?

Answer: Foreign representatives will be invited to the final conference. We also plan to conduct special briefings, on an as necessary basis, for foreign representatives on the international features of both the preliminary and final meetings.

4 Question: What is the outlook for business investment?

Answer: The overall outlook for business investment continues solid.

A Department of Commerce survey of May shows \$112 billion will be invested on new plant and equipment in 1974, an increase of 12.8% over 1973. Two-thirds of this represents inflation, and one to two percentage points represents investments for environmental protection. Thus, real increase in investment in productive plants and equipment will be about 3% in 1974.

Manufacturers have raised spending plans slightly. Steel is moving ahead strongly. Electric and gas utilities, mining and communications are down substantially. Railroads and other transport, excluding air, are up.

HOUSING INDUSTRYQuestion:

What is being done to prevent a further collapse in the housing industry?

Answer:

The problems faced by the housing industry and by prospective home buyers result from the same inflationary pressures that affect the rest of the economy. I have asked the Department of Housing and Urban Development in consultation with my economic advisers and other agencies in the Federal Government, to advise me promptly as to whether there are any new initiatives we might take to bring some relief to the housing sector without adding to the inflationary pressures that brought about the problem in the first place.

TH 9/11/74

TRANSPORTATIONQuestion:

In your speech Monday in Pittsburgh, you came out in support of operating subsidies for mass transit. This is a shift in your position and I wonder how you can justify this in light of your efforts to keep down federal spending as a part of your fight against inflation?

Answer:

In my address to the Sixth International Conference on Urban Transportation, I said that the Administration would support a limited forum of operating assistance for public transportation, if it met three conditions: (1) It must not result in expenditures over the fiscal '75 budget levels or create pressures to exceed projected expenditures in succeeding fiscal years. (2) Operating assistance must be only a small and limited portion of the overall transit program which is predominantly for capital improvements and (3) the decision of whether or not to spend transit dollars for capital or operating purposes must be a state and local decision not made by a federal official.

This position, allowing for very limited operating assistance, is necessary in order to give state and local officials more flexibility in solving their urban transportation problems. It is consistent with the position taken by the Administration in February of this year.

Background:

The House-passed Federal Mass Transit Act of 1974 proposes \$11 billion over six years, which you have indicated is acceptable as an absolute upper limit. Its program structure, including its treatment of operating subsidies, is not acceptable. The Senate has yet to act but several bills are pending in Committee including the so-called the Williams-Javits bill and the Bentsen bill.

M. Duval
9/11/74

6 Question: Some people feel that the Federal Reserve is following too restrictive a monetary policy. Do you agree with this view?

Answer: The Federal Reserve has been publicly committed to a restrictive monetary policy since last February. Yet only in the last month has the growth of the money stock, which fluctuates greatly on a monthly basis, been brought to a really low rate. The 5 1/2 percent rate over the last 12 months is not extremely tight except in comparison to the very great current inflation, which the tight money policy is intended to depress. Although monetary austerity is straining the financial structure of the economy we feel that this has been necessary in order to slow the inflation eventually. There are signs that the FRB has eased the monetary reins slightly in the past four weeks.

1. Q: What is being done to prevent a further collapse in the housing industry?

A: The problems faced by the housing industry and by prospective home buyers result from the same inflationary pressures that affect the rest of the economy. I have asked the Department of Housing and Urban Development, in consultation with my economic advisers and other agencies in the Federal Government, to advise me promptly as to whether there are any new initiatives we might take to bring some relief to the housing sector without adding to the inflationary pressures that brought about the problem in the first place.

2. Q: Why are HUD social programs being deleted in the new legislation?

A: The Housing and Community Development Act of 1974 does indeed eliminate HUD's old rigid categorical grant programs and replaces them with a single "block grant" program for community development. This new approach will put Federal funds to work on behalf of our cities and towns far more effectively than before. In a very real sense, this bill will help to return power from the banks of the Potomac to people in their own communities. Decisions will be made at the local level; action will come at the local level; and responsibility for results will be placed squarely where it belongs --

at the local level. I believe this transfer of responsibility will indeed improve the social programs of our country.

3. Q: Administration spokesmen have said the Housing and Community Development Act of 1974 will provide a shot in the arm for housing. In what ways?

A: In a number of ways, affecting various Federal credit agencies and financial institutions. But let me cite one particular example. In a home that costs \$35,000 that is bought with an FHA-insured mortgage, the down payment is cut roughly in half, from \$3,450 to \$1,750.

BACKGROUND

As part of the Summit Conference on Inflation HUD held a meeting with representatives of the housing and construction industries last Thursday, September 12, 1974. Secretary Lynn is preparing a list of recommendations that came out of the meeting for the President's review and consideration.

1 Question: Secretary Simon and others have been talking about a crisis in electricity finance and calling for higher electricity rates. How does this square with your drive to control inflation?

Answer: Our goals must be to provide consumers with plentiful electricity supplies at the cheapest possible rates now and in the future. With the high prices expected for oil and coal the cheapest electricity for the future will undoubtedly be nuclear. These plants take a long time to build - as long as 10 years to build. At the present time, electric rates have failed to keep up with rising costs in this industry and many utilities are in bad shape financially. This means that they can't attract capital funds in the market and have had to postpone or cancel their construction plans. The result will be that by the 1980's we will either have not enough electricity capacity or we will have very high cost capacity using high-cost oil.

So the actions we take today will determine the level of inflation we will have in the 1980's. Our drive for inflation control must not look only at today but at our total national problems. That is why it is not inconsistent to ask for electricity rates which fully cover the cost of electricity and provide a level of earnings

sufficient so that the companies can finance the expansion of capacity.

5 Q. Are you presently considering a tax of 10¢ per gallon on gasoline as was reported in the Los Angeles Times?

A. The economic advisers are reviewing a wide range of ideas and recommendations, but there are no immediate plans to ask Congress for any specific tax increase.

Export Controls

7 0

The latest crop reports from the Department of Agriculture show large domestic crop losses. Is the Administration considering reimposition of export controls?

A:

While the latest reports are disappointing, we believe the situation is manageable. Last year's export controls were imposed in a totally different situation: (1) the domestic price of commodities was frozen while the world price was rising and (2) last year's production shortfalls were in other countries while this year's is in the United States. Grain production in the rest of the world is expected to be equal or greater than last year's output. Domestic production estimates are somewhat more encouraging following favorable growing weather since August 1. In any event we favor a solution which does not involve export controls and have no plans to establish them, but we are enlisting the cooperation of our major trading partners to insure that U. S. consumers and livestock producers do not bear a disproportionate share of the burden of the world situation. In this regard, we are now closely monitoring both domestic and global crop levels.

CARGO PREFERENCE

10. Question: Oil cargo preference legislation eventually requiring 30% of our oil imports to be carried on U.S. flag vessels has passed the House and Senate. Virtually all departments and agencies of government have strongly opposed the bill. Do you intend to sign the bill or will you veto it?

Answer: The Bill must go to the conference to try to resolve the differences in the House and Senate bill and I will make a final decision only after reviewing the agreed version that emerges from conference. As you know, there will be difficult negotiations in conference as the Senate made substantial additions to the House bill (e.g. double bottoms for new tanker ships, an import fee rebate, a reservation of 10% of maritime subsidies for each coastal area (including the Great Lakes) and a six month limitation on the President's power to waive oil cargo preference).

BURCH

THE WHITE HOUSE
WASHINGTON

September 13, 1974

MEMORANDUM FOR: JACK HUSHEN
FROM: DEAN BURCH *DB*
SUBJECT: Suggested Qs & As for the President

Q Your pardon of the former President has aroused something of a fire storm. Substantial public majorities, in most of the polls, are opposed to your action. If you had it to do over again, would you?

A I didn't consult the polls when I considered offering the pardon. I consulted my mind, heart, and conscience -- and the vote was unanimous in favor of compassion for a man and a family who have served this nation well. Naturally, I would hope for public approval. And, in time, I believe the American people will agree that I did what was right.

Q There are many indications that Republican candidates around the country believe you have dragged Watergate back into the campaigns this fall, and that the Republican Party will suffer. Do you agree with this estimate?

A Two answers. First, political calculations simply did not enter into my decision. I wasn't looking for political pluses, and I wasn't worrying about political minuses. It was a decision of

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personal conscience. And I believe it was the right decision. This brings me to the second part of my answer. I believe the decision was right and that, in time, the American people will agree that it was right. So, I cannot agree with those who see in the pardon a political problem for Republican candidates this fall. They didn't make the decision. I did. And I stand by it.

Q In your address before a Joint Session of Congress, you seemed to imply that you would support candidates -- including Democrats -- who would support anti-inflation policies. Was that what you meant to imply?

A I believe you've got it wrong way around. In that address, I asked the American people to vote for candidates who were willing to make the tough decisions that will be necessary to bring inflation under control. In effect, I was urging them to measure all candidates, Democrats and Republicans, against this most important benchmark. If they do, I'll have the support I need to combat Public Enemy No. 1 -- and you may be surprised by the number of Republican candidates who get elected!

Q A two-part question: was George Bush kicked upstairs because his tenure at the Republican National Committee was a part of Watergate? And is Mrs. Smith the new Chairman as a sop to women's lib?

- 3 -

A George Bush wasn't kicked anywhere. I asked him to take on one of the most difficult and challenging and exciting diplomatic assignments in the world, and I did so in tribute and acknowledgment of his great competence. He served with distinction as U.S. Ambassador to the U.N. and is widely respected for his diplomatic skills. I might also note that he served with equal distinction as Chairman of the Republican Party -- and handled himself through a rough period with total integrity. As for Mary Louise Smith, she just happens to be a thorough-going professional in party organization and management. This is what we need at the RNC and this is what she'll bring to the job of party-building. If she were a he, I'd probably have recommended her anyway!