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FBI SPYING ON CONGRESS

Question

Does the FBI collect information on Congressmen? Do you approve of spying on Congress?

Answer

Of course, I do not approve spying on Congress. Nor does the FBI. As I understand it, the FBI legitimately gets information on legislators in three situations:

1. When the legislator, like any other citizen, is the subject or victim of a criminal investigation,
2. When the legislator, like any other citizen, is being considered for an appointment to an executive or judicial post, or
3. When, like any other citizen, unsolicited information is received about the legislator.

Unsolicited information is received from time to time about individuals in public and private life. When such allegations do not appear reasonably related to the investigative jurisdiction of the FBI, the FBI tells its correspondent exactly that. The correspondence and the official reply are retained as a record of official FBI actions. Because it is not possible to predict, when information is received, whether the subject will or will not at some future time be given consideration for an executive or judicial appointment requiring an inquiry into his suitability, all such information voluntarily submitted is retained.

The FBI assures me, and I have no reason to doubt it, that such information is used only in criminal investigations and in suitability checks for prospective appointees and is never used to influence the judgement or action of any Member of Congress or anyone else.

ADDITIONAL PRESS CONFERENCE QUESTIONS

Submitted by Paul Miltich

Q. Mr. President, who is right about your attitude toward gasoline rationing--Mr. Marsh or your press secretary?

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Q. Mr. President, House Speaker Carl Albert has attacked your tax rebate proposal, saying 43 per cent of the money would go to the richest 17 per cent of the population. What is your answer to that?

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CONFERENCE ON SECURITY AND COOPERATION IN EUROPE

(CSCE)

Q. The New York Times reports today that Administration officials are preparing for a CSCE summit meeting sometime this year; can you tell us what your position is regarding a CSCE summit?

A. The position of the U. S. regarding a possible CSCE summit is stated in successive U. S. -Soviet communiques, as well as in NATO Ministerial communiques. We proceed from the assumption that results at Geneva, where there was considerable progress in the conference during late 1974, will make it possible to hold the CSCE final meeting at the highest level. Before we make a final decision on this, however, we will need to see the results of the negotiations still underway at Geneva.

PRESIDENT'S BRIEFING BOOK

January 17, 1975

TAB A - ECONOMIC

TAB B - ENERGY

TAB C - GENERAL DOMESTIC

QUESTION - The President has stated that he will not hesitate to veto any new spending programs adopted by the Congress. Can you give us some indication of the budget impact of this policy against new spending programs?

ANSWER - The budget cost of new spending programs is anybody's guess. However, as one example, in the health area alone, the President recently vetoed two bills (nurse training and health services revenue sharing) containing authorizations which if fully funded would have exceed his budget requests by almost \$1 billion. The estimates of budget outlays of the various health insurance programs proposed in the 93rd Congress range up to in excess of \$80 billion annually once fully effective.

QUESTION - What will be the effect on the budget of the President's proposal for a 5 percent ceiling on Federal pay increases and programs tied to the Consumer Price Index?

ANSWER - The effect of the 5 percent ceiling on Federal pay and programs tied to the CPI will be a reduction in 1976 spending of \$6.1 billion.

FURTHER
INFO - Details of the reduction by program are in the attached table.

Effect of 5% Ceiling on Pay Increases and
Programs Tied to CPI
(fiscal year estimates, \$ billions)

| Program | 1976 Outlays | | Reduction in outlays |
|-------------------------------|--------------------|-----------------|----------------------------|
| | Without ceiling | With ceiling | |
| Federal pay: | | | |
| Civilian | 38.9 | 38.0 | -.9 |
| Military | <u>23.1</u> | <u>22.5</u> | <u>-.6</u> |
| Subtotal | 62.0 | 60.5 | -1.5 |
| Retirement programs: | | | |
| Social Security | 74.3 | 71.8 | -2.5 |
| Supplemental security | 5.5 | 5.4 | -.1 |
| Railroad | 3.4 | 3.3 | -.1 |
| Civil service and military | 16.2 | 14.9 | -1.3 |
| Foreign Service | <u>.1</u> | <u>.1</u> | <u>*</u> |
| Subtotal | 99.5 | 95.5 | -4.0 |
| Other: | | | |
| Food stamp | 3.9 | 3.6 | -.3 |
| Child nutrition | 1.8 | 1.6 | -.2 |
| Coal miner benefits | <u>1.0</u> | <u>1.0</u> | <u>*</u> |
| Subtotal | 6.7 | 6.2 | -.5 |
| Totals | 168.2 | 162.1 | -6.1 |

* Less than \$50 million.

QUESTION - The Fact Sheet says that the President's program is not reckless? How can you defend that when the budget deficits for FY 1975 and FY 1976 are going to add up to about \$75 billion dollars?

ANSWER - Deficits of that size would, indeed, be reckless if the economy were near full employment and private demand was strong. In fact, the economy is weak and will remain so for some time ahead. Under those circumstances, private demand for credit will grow less rapidly and there will be room for Treasury financing needs to be met.

In a very real sense, it would be much more reckless to let the economy slide down into deep recession without any fiscal support from the Federal Government. Temporary Federal budget deficits play a crucial role in stabilizing the economy during recession.

QUESTION - Do you foresee the possibility of a near balanced budget in FY 1977 or have you abandoned the concept as out of date?

ANSWER - Neither. I doubt that it will be possible to balance the budget by FY 1977. Yet, I have certainly not abandoned balance, or a small surplus, as our long-range goal. It is a fact of economic life that efforts to balance the budget during a recession only push the economy down farther. We don't want that.

What we have to do is maintain fiscal discipline by holding down non-essential federal expenditures so that the budget will come into balance when the economy gets back to high employment levels.

QUESTION - Won't massive federal borrowing further exacerbate already serious problems of high interest rates; lack of credit for construction and housing; and capital markets?

ANSWER - Large federal deficits have been financed in previous recessions against a background of declining interest rates and increased availability of credit. It will not be all that simple this time because of inflation and relatively high interest rates. If federal expenditures are held down, we believe the prospective deficits can be financed without stalling the recovery or reigniting the inflation.

The key to successful financing of recession deficits is the spontaneous decline in private borrowing that takes place, particularly in the short-term credit markets. This temporarily makes room for the accommodation of large amounts of federal borrowing.

QUESTION - The energy taxes will start taking money out of the economy in February and then in large chunks in April, but the tax package won't start putting that money back until mid-June. That's an awful lot of restraint and it will hit when the economy is still sliding downward. Isn't that sure to cause a depression?

ANSWER - The direct budget impact of the proposed program will be approximately neutral in the first quarter of this year. There is fiscal stimulus of an estimated \$5.7 billion in the second quarter and \$7.6 billion in the third quarter. The stimulus then tapers off fairly smoothly and reaches a position of near neutrality again by the end of calendar year 1976. This appears to be about what the situation is likely to require. Admittedly, the full impact is difficult to assess. It will depend upon indirect effects of the budget changes, the timing of the pass-through of higher energy costs to final users, the extent to which the changes are anticipated, and a variety of monetary and financial developments that arise out of these changes. But, as best we can judge, the stimulus will be felt when it will be needed most, and will phase out as the economy moves up under its own steam.

QUESTION - Do you see any good news in the inflation battle in the Wholesale Price Index drop in December? or is it a statistical quirk?

ANSWER - It is good news indeed. Of course, the drop in farm prices (2.5%) will not continue indefinitely. What is most significant is that industrial prices did not rise at all after going up 25% over the previous 12 months. The Wholesale Price Index is unlikely to continue to fall during this year. But the December results were no fluke. There is much less inflationary pressure now at the wholesale level. While recession is bitter medicine, and entirely unwelcome, it does help to curb the inflation.

QUESTION - How important to the success of the President's program is the federal spending moratorium?

ANSWER - In my opinion, it is absolutely vital. Without it we will be faced with long-run inflation and shortages of productive capacity. We must place more emphasis on saving and investment, and less on consumption and government spending.

QUESTION - The unemployment rate has risen much more rapidly than you expected. Why don't you provide an additional 250,000 public-service jobs beyond the 500,000 already authorized for local governments?

ANSWER - The public service employment program will be useful to help cushion the effects of the recession. But there are limitations on how quickly and effectively that program can be expanded.

At the last report there were many public service job openings unfilled. We are making a strong effort right now to see that the state and local governments fill those openings as quickly as possible. Before long we will have a better idea of how much need there is under present conditions.

Our first line of defense, however, is the unemployment compensation program. It has been designed expressly to deal with cyclical unemployment. The program triggers in when needed and triggers out when the need has passed.

January 13, 1975

QUESTION - How are you going to rebuild consumer confidence?

ANSWER - That's not easy, and it obviously won't happen overnight. One important factor will be a renewed rise in workers' real incomes, which should take place soon as inflation subsides to a rate below the increase in wage rates. The tax cut will help in this connection also.

QUESTION - Why didn't you recommend some limited measures in the wage-price area, such as requiring a three-month waiting period for study of any major price increases by giant corporations?

ANSWER - Such steps are undesirable for two reasons. First, they have no real, beneficial effect in controlling inflation. If prices are held down artificially in a particular industry, the only result may be inadequate investment, future shortages, and even higher prices. Second, a more activist role for the Federal Government is taken by some to mean that comprehensive wage-price controls are on the way. This provides an incentive for firms to raise their prices in anticipation. This could be a self-fulfilling prophecy of the worst sort. The safest course of action is to continue the active monitoring program being conducted by the Council on Wage and Price Stability.

QUESTION - How far will the unemployment rate rise?

ANSWER - It could rise close to 8 percent, and then start to come down. We hope it will not go that high. But I do not want to get into any details on our economic projections, which will be provided later this month in the Economic Report of the President.

QUESTION - Why didn't you propose credit allocation to channel funds away from speculative and inflationary uses, such as conglomerate takeovers and gambling in foreign currencies and gold; toward vital areas such as housing, small business, and state and local governments?

ANSWER - We are strongly opposed to credit allocation. Credit allocation attempts to substitute a bureaucratic judgment on the appropriate use of credit for the normal operation of the financial market mechanism. This becomes an impossible task in a large, complex economy such as ours. The inevitable result would be a misallocation of credit and financial dislocations.

It is an erroneous idea that there is a large volume of credit going into gambling or unproductive mergers. It's a drop in the bucket compared to housing, for example. Also, the distinction between "productive" and "unproductive" uses of credit is not as easy to draw as the question suggests. Bank examination and regulation can help to curb excesses on the part of individual lenders. By and large, however, we should depend upon the relatively free operation of financial markets to channel funds into their most efficient uses.

QUESTION - In view of the developing recession, why doesn't the Administration quickly release funds for clean water, flood control, highway, mass transit and other construction projects already authorized by Congress?

ANSWER - Such programs would take years before they would produce any economic stimulus; the delays are just too long to help the current economy. Furthermore, in general the recession should not be an excuse for a "budget-busting" spree that would cause a renewed surge of Federal spending after the economy has recovered from the recession. That has been a prime cause of the rapid rate of inflation which eventually induced recession through its effects on housing and economic confidence.

QUESTION - How far will the inflation rate come down?

ANSWER - The rate of inflation should be moderating throughout the year. We expect the rate to come back below the 10 percent level and by the end of the year, a rate of inflation in the 6 to 7 percent range is possible. I'm sure, however, that it will be a case of "seeing is believing" as far as the public is concerned. Passage of the energy taxes proposed in the State of the Union Message will also have a one-time effect of increasing the reported rate of price increases as those taxes are passed through the economy. This is an unfortunate result but the great need to move ahead on a strong and integrated energy policy is of such great importance that it must be accepted. The actual change in price indexes caused by the energy taxes is uncertain and dependent upon marketplace conditions.

QUESTION - Why didn't you direct the Federal Reserve to lower interest rates and expand the money supply at a 4 to 6 percent rate instead of the 2 percent rate of recent months?

ANSWER - In the first place, no Administration can or should direct the Federal Reserve in the specifics of monetary policy. The Federal Reserve is legally independent, and is free to exercise its own judgment. In the second place, an easing of monetary policy is already underway. After growing at a 6 percent annual rate in the first half of the year, the money supply grew at only about a 1-1/2 percent annual rate in the third quarter. Growth picked up in the fourth quarter to 4 percent. Over the past two years the money supply has increased at a rate of 5 to 6 percent. The monthly or quarterly rate often changes - sometimes rather sharply - but these savings should not be interpreted as a fundamental change in policy. The low rate of credit expansion in late 1974 is a result of decreased demand for credit as business activity has declined. Federal Reserve officials have repeatedly emphasized that monetary policy will respond to the needs of the economic system and it has taken three specific steps to ease credit conditions: (1) the Federal funds rate has declined to the 7-1/2 percent range from over 13 percent in July; (2) the discount rate has been reduced in two steps from 8 percent to 7-1/4 percent; and (3) reserve requirements for deposits have been reduced.

QUESTION - How does it help to tax people on the use of energy and then turn around and give all the money back in the form of an income tax reduction?

ANSWER - The higher price on petroleum products after the tax encourages conservation and thus reduces energy consumption. It is true that the money collected from the tax is put back in the economy, but it is distributed through the income tax system, not in proportion to the amount of energy a person or business uses. Therefore, the net effect is that energy consumption will be cut, but economy-wide income and purchasing power will remain largely unaffected. If receipts from the energy tax were not returned to the economy, there would be a reduction of purchasing power which is undesirable during a recession.

The rebating of the revenues collected through the income tax system is also an important step in correcting the distortions caused in the tax system by the recent inflation which has pushed people into higher tax brackets even though their real purchasing power has not increased.

QUESTION - What size federal budget deficit will result in FY 1975 and FY 1976 if Congress passes the President's economic program?

ANSWER - We are currently estimating the FY 1975 budget deficit in the range of \$32 to \$34 billion and FY 1976 from \$45 to \$47 billion. This assumes that significant budget reductions proposed by the President are actually carried into effect.

QUESTION - Some critics say that on balance the proposed economic program will have a negative fiscal impact. What do you say?

ANSWER - I do not see how they reach that conclusion. In broad fiscal terms, there is a temporary anti-recession tax cut of \$16 billion. This is coupled with higher energy taxes which will raise \$30 billion. But all of that \$30 billion is cycled right back into the private spending stream. So this leaves, as the main influence on total economic activity, the \$16 billion tax cut, which is a sizable injection of fiscal stimulus.

QUESTION - What do you think of Senator Proxmire's prediction that it may take until 1980 to reduce unemployment from 7.1% to 4.5%?

ANSWER - I would not quarrel with that prediction. Although I think we want to recognize that there's a great deal of uncertainty about such a prediction and an awful lot of things are likely to happen in the economy between now and then.

QUESTION - Do you agree that the nation may have to live with an inflation rate of 6% to 8% for a prolonged period as some economists are forecasting?

ANSWER - No, I do not. From where we are now, an inflation rate of 6 to 8 percent looks pretty good. But judged against the full sweep of our peacetime historical experience, such a rate is very high. It would inevitably mean high interest rates and continuing strains on our financial system.

When economic growth resumes, productivity should begin to rise more rapidly. Prudent fiscal and monetary policies can then provide an environment within which wages and productivity come into much closer balance. Certainly, we should aim at a long-run rate of inflation well below 6 to 8 percent. In this connection, it should be recalled that wholesale industrial prices and labor costs per unit of output were virtually stable from 1957 to 1965.

Because of accumulated inflationary pressures, duplication of that record in the near future will not be easy. It is the direction in which our policies should be aimed.

QUESTION - What is your reaction to various proposals in the Democrat's economic program: the tax cut for lower and middle income families; lower interest rates; allocation of credit to vital industries; more public service jobs; subsidies for housing; gasoline tax increase; modified wage price authority for the President?

ANSWER - I guess it will come as no surprise if I say that I generally prefer the approach that is taken in our own program. Actually, there are some elements common to both programs.

As to the specifics:

(a) tax cut for lower and middle-income families. We have tax reduction pointed in this direction.

(b) lower interest rates are highly desirable but cannot be legislated or enforced by mandate. We count on the responsible policies of the Federal Reserve System, our central bank.

(c) allocation of credit to vital industries . is a bad idea. It attempts a bureaucratic control over the financial markets which will inevitably lead to bad results.

(d) more public service jobs may conceivably be needed but first we need to use fully the program just established by the new legislation.

(e) subsidies for housing are already very substantial.

(f) gasoline tax increase is not recommended but only because we think that a tariff and excise tax approach on crude oil and natural gas is a far superior approach to achieve much the same objectives.

(g) modified wage-price authority only fans the fire of belief that further more comprehensive controls are on the way. They are not because controls would do more harm than good.

QUESTION - Do you foresee a turn around in the auto and housing industries by mid-year, and to what degree?

ANSWER - Yes, we expect the auto and housing industries to be doing much better by the second half of the year. The precise extent of that improvement is difficult to judge in advance.

QUESTION - How much reduction in unemployment do you anticipate starting mid-year when the housing and auto industries start to turn around?

ANSWER - Our economic projections for the coming year will be described fully in the forthcoming Economic Report of the President. However, we do not ordinarily present detailed employment projections by sector and industry.

QUESTION - What do you expect unemployment to peak at? Is 8% a probable figure?

ANSWER - It certainly is a possible figure. We do not expect unemployment to go much higher than 8 percent. We hope it will not reach that level. But it may. If it does, the unemployment compensation and public service employment programs are a primary line of defense.

QUESTION - Do you foresee a bottoming out in economic activity by mid-year? What actions by government is your forecast predicated on: increased budget, tax cut, etc.?

ANSWER - Yes, I do expect a bottoming out somewhere around mid-year. No one can predict the so-called "turning points" of the business cycle with complete assurance. But that is our best judgment. The forecast is predicated upon the normal pattern of the economy during postwar recessions and the range of actions in our latest economic recommendations. We feel that the program will stop the slide in consumer and business confidence that has been responsible for some of the recent steep decline.

QUESTION - Is Senator Proxmire right that there is no excess demand in the economy now?

ANSWER - Yes, I think that is a correct assessment of the overall situation. The economy has clearly moved out of the phase of generalized excess demand and into recession. Inflation continues as a legacy of excess demand in the past, but right now total demand is not excessive.

QUESTION - How much inflation do you expect the \$30 billion oil tax to cause this year and next?

ANSWER - Preliminary indications suggest that the effect might be about 2 percentage points. This would be essentially a one-shot adjustment i.e., the rate of inflation would not be 2 percent higher each year into the future.

I must emphasize that a lot depends upon competitive conditions and many other factors. There are some econometric estimates of an inflation effect as high as 4 percentage points. Other approaches suggest much less pass-through, considerably less than 2 percent.

We ask our economists to make the best estimates they can. I am sure that they do. But, this is a large, complex economy and precise estimation of the price level effects of the \$30 billion oil tax is extremely difficult.

Q. The President's State of the Union Message did not contain any reference to the current crisis in the housing industry. Are there any plans to address this problem?

A. In January and May of last year, Ginnie Mae (the Government National Mortgage Association) made available \$9.9 billion for mortgage purchases at favorable interest rates and in May the Federal Home Loan Mortgage Corporation made available an additional \$3 billion. In October, President Ford added another \$3 billion to purchase conventional mortgages at interest rates between 8 and 8-1/2%. That money has now been committed. An extension of the President's October program was announced January 16 for an additional \$3 billion at a 7-3/4% interest rate through February. It might also be added that in the last three months, several hopeful signs have appeared on the housing front -- such as lowered mortgage interest rates, and increased savings flows to thrift institutions.

QUESTION - Why didn't you recommend the establishment of an RFC-type lending institution in view of the threat of widespread corporate bankruptcies during a deep recession?

ANSWER - It is hard for me to understand the appeal that the RFC-type operation seems to have. People are now proposing that a new RFC be formed to do what the old one never did on any significant scale. In the 1930s the large-scale RFC operations were shoring up the banking and financial system. We already have adequate safeguards in that area. During World War II, the RFC did yeoman service in the defense production area. But it never engaged in large-scale peacetime lending to private industry. That kind of operation is hard to justify in a basically free enterprise economy. Why should large corporations be able to live off the taxpayer by means of a big government lending operation? If, on the other hand, the concern is to guard against widespread corporate insolvency and financial dislocations, the best approach is to employ the lender of last resort resources of the Federal Reserve. But, I don't think we need a big government lending operation to bail out private corporations.

QUESTION - Even if Congress acts quickly to pass new tax legislation, a couple of months will pass before the effect is noticed on the economy. What are you going to do in the meantime to help increasing numbers of unemployed vying for a paltry few public service jobs?

ANSWER - Prompt action on tax reduction will benefit the economy almost immediately in terms of improved confidence. The full spending effects will take a little time to develop, but the lags are not all that long.

The unemployment compensation program has been broadened to provide benefits to people not previously covered. Benefits are available over a more extended period of time. That must be our first line of defense. The public service job program will be expanded more rapidly in the future. There are limits on how quickly it can be expanded.

QUESTION - The oil tax will hurt auto sales and raise Detroit unemployment even more than at present, won't it? How can you do this to your own home-state?

ANSWER - The economic program will affect the auto industry--and other large industries--in a number of ways. We expect the net impact on incomes, employment and sales to be favorable. Press reports that I have seen suggest that many people in the automobile industry see the program in this light.

No President can view a national economic program in terms of its impact on his home state or city.

BACKGROUND - See attached story, New York Times, January 13, 1975

Auto Makers Hail Ford On Energy and Economy

H-22

By AGIS SALPUKAS
Special to The New York Times

DETROIT, Jan. 14—Top executives of the automobile industry said today they were pleased with the economic and energy program that President Ford outlined last night, since it contained most of the proposals they have been advocating to save energy and turn the economy around.

Henry Ford 2d, chairman of the board of the Ford Motor Company, said that the President's program sounds good to me.

Thomas A. Murphy, the chairman of the General Motors Corporation, "commended" the President in a statement today and said that G.M. was "particularly pleased" with Mr. Ford's adoption of the industry proposal to impose a \$3-a-barrel tax on imported crude oil as the best way of cutting consumption. This, he said, would spread the burden of saving energy on everyone, not just the motorist—a point the President made in his televised address last night.

On the three key issues—energy conservation, the environment, the economy—the President's proposals matched what top auto executives, who are coping with the worst decline of the industry since the Depression, have been advocating for months.

On energy conservation, the President assured the auto industry that it would not have to bear most of the burden. Top auto executives had feared that private passenger cars and trucks, which consume about 27 per cent of the total petroleum in the nation, would be singled out.

But the proposed tax on imported and domestic oil will mean that all industries, utilities, airlines, businesses and individuals will have to join in conservation efforts, since the prices of all petroleum products will rise.

Confident of Sales

The anticipated price increase of 7 to 10 cents a gallon for gasoline, auto executives here believe, is not high enough to hurt car sales significantly or cause a big shift to mass public transportation.

An additional 7 or 10 cents, Mr. Townsend observed, "isn't going to further depress sales from the levels they are at today."

"We've lived with high gasoline prices in the free world for years and years," he said, "and we've had excellent automobile markets."

What the industry fears more is another oil embargo that would interrupt supply, and a repetition of the long lines of cars at service stations, which pushed auto sales down during the energy crisis.

The five-year moratorium on imposing pollution standards, which had been planned for in 1977 and 1978, would greatly ease the industry's task of meeting the President's proposal that the fuel-economy of automobiles be bettered by 40 per cent by 1980.

Congress would have to amend the Clean Air Act to make the moratorium possible. The support of the President, and the current overriding con-

cern of Congress with unemployment, however, gives the auto industry its best chance yet to get out from under stricter pollution standards.

The industry would have "the breathing space" that it has sought unsuccessfully over the past several years, mainly through appeals by its scientists before Congressional committees, and to the public in the form of advertisements. With 275,000 auto employees out of work this week, the industry's arguments carry much more weight.

However, the benefits of better fuel mileage and lower prices, which the industry has argued would result from a moratorium, are several years off. They will have little bearing on the industry's efforts to fight its way out of the current slump.

The President's proposal to cut 1974 income taxes with rebates was welcomed here as a step that could help stimulate car sales.

"This is good news—great news" Elliott M. Estes, the president of General Motors Corporation, said in a speech here tonight. "Although we must continue to be alert to the dangers of renewed inflation, it is clear that right now the economy needs an infusion of spending power," he said.

Rebates for Car Buyers

Mr. Townsend observed: "There's nothing that makes people feel better than getting a check." But he also proposed, in an interview, that the Administration consider a program of direct cash rebates for people who buy new cars. The housing industry, he said, was singled out for special aid by the Administration; the auto industry, he went on, was in such a deep recession that it needed similar programs, meant only for itself.

One subject that President Ford did not touch upon—a matter that has brought calls for a ton from top executives—was easing of interest rates. Mr. Townsend said that some auto dealers were seeking financing from the Chrysler Credit Corporation because local banks were refusing to handle car loans. He said that the Administration should consider making cheaper credit available, specifically for purchases of new cars.



QUESTION - Why is it necessary to have a tax cut to get the recovery started?

ANSWER - We would have a recovery without the tax cut. But we feel that the economic situation will be healthier with the tax cut than without. Consumer real income has fallen and business capital spending is beginning to lag. Both areas could use some temporary stimulus.

QUESTION - Why doesn't your program include a tax exemption for interest on savings accounts?

ANSWER - Tax exemption for interest on savings accounts has the following defects:

(1) It initially decreases the aggregate amount of savings. A \$750 exemption for interest on time and savings deposits would cost about \$2 billion, which the government would have to borrow in the private market. That borrowing reduces the amount of savings available for private investment.

(2) Only high bracket taxpayers would get any major benefit.

(3) It doesn't operate as an incentive for new savings because it doesn't reward the increase in savings.

(4) It would create new distortions in the credit and investment markets.

QUESTION - Why didn't you recommend substantial tax relief for Americans of modest income who have been hit so hard by inflation?

ANSWER - We have; the permanent tax reductions are disproportionately concentrated in the low and middle income sector. In addition, there is a special distribution of \$80 per adult to nontaxpayers.

You should also note the emphasis in the President's total program on the provision of emergency assistance to those who are unemployed, i.e., the more generous unemployment insurance program--both the extension of time and the broadening of coverage--and the expanded public service employment program.

QUESTION - Why didn't you come up with a meaningful tax-reform program?

ANSWER - At best, tax reform is a lengthy and complicated process. Our present need is for prompt and effective stimulus action to deal with the economic situation. An effort to make a major breakthrough in the tax reform area could imperil the early application of remedies for the current problems of the economy. As the President said, tax reform is on the agenda for later this year.

QUESTION: Senator McGovern commented about the \$1,000 tax rebate proposal that the President waited two years to propose what the Senator was ridiculed for proposing two years ago. Is there a difference between the two proposals?

ANSWER: The McGovern proposal was a \$1,000 per person negative income tax. In other words, it was a proposal to give people without a certain level of income a cash grant. In effect, the \$1,000 grants would go only to persons with no taxable income. Mr. Ford's one-time 12 percent of tax rebate, limited to \$1,000 per return, goes only to those who have paid income taxes. Mr. Ford is proposing tax relief, not income support as was Mr. McGovern.

QUESTION - Why are you proposing permanent tax cuts for individuals and corporations? Is this a purely political move that will come back to haunt taxpayers in a few years when taxes will have to go up?

ANSWER - The permanent tax cuts return to the economy the money raised by the new energy taxes. If government spending is held down, there should be no need for increased taxes.

FURTHER INFO The increased energy taxes will not equal the permanent tax reductions after the windfall profits tax expires.

QUESTION: What is the rationale for proposing such a big permanent corporate tax cut on top of raising the investment tax credit when corporate profits have been obscenely high the past few years?

ANSWER: Corporate profits have not been obscenely high. High rates of inflation have generated profit figures which do not reflect the real incomes of corporations. It is estimated that the use of historical cost depreciation, for example, increased the effective corporate tax rate by 35 percent over what it would have been had the statutory rate been applied to real income. Real incomes of businesses have been declining for the past 10 years.

The increased investment credit is needed to bring about recovery from the current recession. In real terms, capital spending in 1974 increased by less than 2 percent. The anticipated increase in investment in 1975 is less than the anticipated increase in the price of capital goods which will result in the first decline in real investment since 1971.

QUESTION: What do you think of Senator Hartke's proposal to allow a personal income tax credit on purchases of homes and autos patterned on the investment credit for business?

ANSWER: We would be opposed to that. The investment credit's purpose is to stimulate investment in capital goods and to increase our productive capacity, both of which are too low. Increased productive capacity is a key to a long-range fight against inflation. An investment credit for autos would stimulate all auto buying, at a time when we are trying to encourage people to conserve on gasoline use, at the expense of other consumer purchasing. Similarly, an investment credit for housing would stimulate home buying at the expense of other consumer purchasing. This is simply unworkable. The manufacturer of every other product which consumers desire will want--and deserve on equity grounds--a tax credit for his products, too. The government should not put its thumb on the scales in this fashion, we should let consumers chose what is most important to them.

BACKGROUND: Up until a few years ago the Federal Government imposed an excise tax on purchases of automobiles. One rationalization for the tax was that it compensated the community for costs of operating cars that were not reflected in their purchase price and costs of operation. Another was that acquisition of cars was a good measure of ability to pay taxes. A tax credit would deny both arguments and could be supported only on an argument that Americans are not operating as many cars as they should be or should be operating new cars rather than old ones. The new versus old cars case may have some merit but the more rather than less cars case is at odds with transportation policies which promote energy conservation and a cleaner environment.

The Federal Income Tax now encourages home ownership through personal deductions for mortgage interest and property taxes. A tax credit could be supported only if it is thought that this encouragement is insufficient. A tax credit, of course, would increase the present discrimination against renters and conflict with policies whose aim is the rehabilitation of inner cities.

QUESTION - Do you expect the U.S.S.R.'s rejection of U.S. terms for trade and credits will reduce trade between the two countries?

ANSWER -

1. No, I don't think so. Even without a trade agreement, trade between the Soviet Union and the U.S. has grown very substantially. From a level of about \$200 million annually in 1969 - 71, it has grown to \$1.4 billion in 1973 and nearly \$1 billion in 1974. Our exports to the Soviet Union have consistently been much larger than our imports from that country.
2. Despite our inability to extend non-discriminatory tariff treatment to the U.S.S.R. and the interruption in Export-Import Bank lending, we believe conditions exist which will permit continuing mutually beneficial trade with some further growth.
3. Of course, we regret this turn of events. It is clearly a setback in our economic relations, hopefully a temporary one.
4. We continue to regard trade and economic relations with the Soviet Union as an important element in our overall relationship.

QUESTION

- Does the Administration intend to ask Congress to change the Trade Bill to allow some OPEC countries preferential access to U.S. markets?

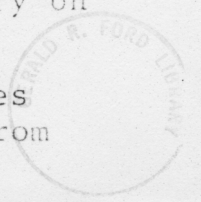
ANSWER

- When he signed the bill, the President indicated his unhappiness over the mandatory nature of several provisions which would exclude certain categories of developing countries from preferential tariff treatment, including the one relating to OPEC countries. We are reviewing the effect of those restrictions on potential beneficiary developing countries. We also intend to discuss with Congressional leadership what their intent was regarding these restrictive measures. When this process is complete, we will decide whether to seek any changes in the Act. I should point out that the International Trade Commission will take six months to review the list of products proposed for possible inclusion in the tariff preference program. Implementation of the program is therefore not possible before mid-summer. There is thus time for a careful review of the current legislation. There is no need for jumping to immediate conclusions about the need for new legislative initiatives.

FURTHER
INFO

The Trade Act excludes countries from GSP* eligibility which in the context of their membership in a producer association take action to restrict supply access or charge unreasonable prices for vital commodities. OPEC is specifically named. This provision can only be waived if a country enters into a multilateral or bilateral supply access accord with the U.S. In spite of the President's statement upon signing the bill, Latin American countries led by Ecuador and Venezuela protested loudly over the "coercive and discriminatory" nature of the GSP provisions, particularly as regards OPEC. A State Department press spokesman speaking for the Secretary on

*Generalized System of Preferences: Tariff preferences given by developed countries to industrial imports from developing countries.



- 2 -

January 7 implied that the Administration would seek new legislation to modify the OPEC provision. This statement received widespread attention in the Latin American press. State has since sent out a guidance cable to all posts indicating that no decision has been made on seeking new legislation, but that the Administration is studying the implications of the bill and consulting with Congress.

QUESTION - As people lose their jobs they also lose their health insurance. Don't you think under such circumstances national health insurance legislation is important this year?

ANSWER - I think there is a limit to how many expensive Federal spending programs we can afford. Unemployment compensation and public service employment are budgeted to cost some \$17 to \$18 billion. A \$16 billion tax reduction is proposed. Under the circumstances, the President has imposed a one year moratorium on new federal spending programs.

Q. Won't your energy taxes and offsetting tax reductions increase inflation in the aggregate, since the same amount of money will remain in the economy and energy prices will be higher?

A. The initial effect of the energy taxes will be an increase of an estimated 2 percent in the price level. This will not, however, be a lasting effect on the rate of inflation.

It should also be noted that the increase in energy prices resulting from the tax may be partially offset by slower increases in other prices in the economy. The purpose of the taxes is, of course, to encourage conservation of energy by raising its price relative to the prices of other goods and services, so that consumers use less energy and more other goods and services.

Q. The Administration has indicated that higher world oil prices set by the cartel have contributed strongly to the current inflation. Won't the energy taxes have a similar effect, and isn't the 2 percent estimate too low?

A. The energy taxes will initially raise inflation, but the need to conserve energy is so pressing that the initial increase in prices must be accepted to help achieve our energy goals. The only alternative to using price incentives to reduce our dependence on oil imports in the short-term is some form of rationing, and rationing means decreasing the amount of gasoline or heating oil available to someone. There would be shortages and that would mean hardship or fewer jobs, depending on where the shortages occurred.

The effect of the energy price increases on inflation is expected to be very different now than when oil prices were raised at the time of the embargo in 1973. Demand was strong and shortages were widespread at that time, while demand is now weak and there are no shortages. Consequently, we regard 2 percent as a realistic estimate of the separate, one-shot effect of the effect of the energy taxes.

Seidman 1-17-75

Q. Why did you change your economic policy?

A. It would be more accurate to describe the economic proposals announced in the State of the Union message as a change in emphasis rather than a change in policy. Our three challenges are inflation, recession, and energy dependence. The emphasis of our economic efforts must now shift from inflation to jobs. This shift in emphasis reflects the decline in economic activity and the rapid increase in unemployment. In response to this slack in the economy, there have been indications of some easing in inflationary pressures. While we must now take action to support a recovery from the recession, this does not mean that we should be less concerned about the long term need for price stability and the restraint in Federal spending which is necessary to achieve that stability.

Seidman 1-17-75

- Q. Can you be certain that people will spend the additional money they receive through tax reductions and provide the hoped for stimulus to the economy?
- A. It is, of course, difficult to confidently predict what consumers will do with more money in their pockets. If consumers do save a large fraction of the tax reduction, additional funds will be available for investment in housing construction and other job creating activity. Many have suggested that the current slack in spending results from consumer uncertainty regarding the economy's future. The President's economic program demonstrates his commitment to restoring a prosperous economy and these measures should go a long way to relieving uncertainty.

Seidman 1-17-75

Q: Why does the economic program concentrate on tax cuts rather than increasing Government expenditures?

A: Increasing Government expenditures or reducing Government revenues will help stimulate the economy. At the present time a tax cut is preferable for two reasons. First, a tax cut will have a much quicker and more immediate impact on the economy. Government spending programs, if they are to be effective, require much time and planning prior to implementation. The recession should be dealt with now. Secondly, and equally important, past history suggests that increased Government expenditures tend to become permanent and place increasing demands on the Federal budget. Even while dealing with recession it is important that we not lose sight of our long term objectives of bringing Federal expenditures under control to bring the budget into balance when the economy recovers.

It is interesting that in recent weeks opinions among economists are virtually unanimous that under current conditions tax cuts are preferable to an expenditure stimulus.

Seidman 1-17-75

Q. Won't the increased deficits resulting from the temporary tax cut place a strain on financial markets and raise interest rates because of the financing needs by the Treasury?

A. The larger deficit will need to be financed by increased borrowing by the Treasury. The tax cut is only temporary, however, and the increase in Treasury financing needs will come at a time when business borrowing demands are relatively low during the recession. As the economy recovers, Treasury borrowing to offset the revenue loss from the tax cut will decline.

It is also necessary to recognize that a large part of the deficit is the result of the recession and the lower tax revenues that are raised when business and sales are slack. Another major part is the result of temporarily higher Federal outlays to pay more unemployment insurance benefits and to provide public service employment. Changes in the deficit from these sources help to stabilize the business cycle and support recovery as they have in previous recessions.

While the deficits projected for this year and next are large, this is to a large extent attributable to the inflation that has occurred and growth in the economy. The projected

Federal budget deficits are not unusually large compared to the 1958 recession, for example, after growth and inflation have been taken into account, and credit markets in which the deficits must be financed have also expanded. Consequently, it should be possible to accommodate Federal borrowing needs without unduly disturbing credit markets or raising interest rates, provided Federal spending is held in check so that the deficit is reduced when the economy recovers.

Seidman 1-17-75

AVERAGE UNEMPLOYMENT INSURANCE

Question:

Though each State has its own unemployment insurance law, and benefits vary as a consequence, can you give us some idea of the average amount a jobless person receives each week?

Answer:

The national average weekly benefit amount for total unemployment is \$67.00.

January 17, 1975
R. D. S.

PUBLIC SERVICE JOBS

Question:

How many public service jobs are now available for the nation's unemployed workers?

Answer:

In round numbers, about 300,000. It is difficult to know exactly how many jobs have been established by the state and local governments to whom funds have been granted, as the annual salaries could range from \$5,000 or \$6,000 a year to as much as \$10,000. In all, about \$1.9 billion has been allocated since last June, and we are urging that the jobs be created and filled as quickly as possible.

January 17, 1975
R. D. S.

UNEMPLOYMENT

Question:

Recent reports indicate that unemployment has been rising rapidly. How high is unemployment at the present? When was the last time unemployment was this high? What steps are being taken to ease the plight of the jobless?

Answer:

The most recent figures available, those for December 1974, show that there were 6.5 million persons unemployed and the Nation's unemployment rate was 7.1 percent. The last time that joblessness was this high was in May 1961 at the depth of the 1960-1961 recession. We are deeply concerned over this rapid rise in unemployment and have taken a number of steps, both direct and indirect, to help ease the plight of the unemployed. Steps of a direct nature include a recent extension of the length of time that an unemployed person may continue to receive unemployment compensation payments, the extension of coverage to previously uncovered worker groups, and the creation of a sizeable number of public service jobs throughout the United States. A less direct measure--but one that should have a powerful impact on the economy--is the income tax reduction that I have proposed; this should have the effect of increasing consumption and, in turn, stimulating production and employment.

January 17, 1975
R. D. S.

UNEMPLOYMENT

Question:

Although the unemployment rate was 7.1 percent for all workers in December, this does not tell us about the jobless situation of key worker groups such as household heads and married men. What are their unemployment rates? And how about workers in the construction and automobile industries? Hasn't joblessness hit them particularly hard?

Answer:

Despite the fact that the unemployment rates of household heads and married men are well below the overall jobless rate of 7.1 percent, they have still shown sizeable increases in recent months. In December, the jobless rate for household heads was 4.5 percent, the highest point it has reached since the series began in 1963. The December unemployment rate for married men was 3.7 percent. You are correct in your statement that workers in the construction and automobile industries have been hard hit by rising joblessness. In December, the unemployment rate for workers in the construction industry was 15 percent, the highest it has been since 1961, while the jobless rate for automobile workers reached 20 percent.

January 17, 1975
R. D. S.

DEPLETION OF STATE UNEMPLOYMENT INSURANCE FUNDS

Question:

What would happen if one or more States had so much unemployment and drain on their unemployment insurance funds that they became totally depleted? What is the status of State unemployment insurance funds?

Answer:

Four States are now borrowing from a Federal loan fund. Other States may need help if current levels of payments continue or increase. There is now \$450 million available and the Government is committed by law to make further advances to the fund from general revenue, if needed.

January 17, 1975
R. D. S.

SLOW PUBLIC SERVICE HIRING

Question:

The Labor Department reported about two weeks ago that states and local communities had filled only about a third of the 170,000 public service jobs financed last year under the Comprehensive Employment and Training Act. What is being done to speed up the hiring of unemployed workers in these jobs? Also, how do you intend to prevent a similar slowness in filling public service jobs in the new emergency program you recently signed into law?

Answer:

To speed up hiring under the CETA public service jobs program, the Labor Department has told the states and localities to set numerical hiring targets for the end of January and the end of February. If these hiring targets are not met by February 10, steps will be taken to improve performance or to transfer unspent funds to some other governmental unit in the same area that is able to create the jobs and fill them.

In the new emergency jobs program I approved December 31, we are using more of a project approach that will permit faster hiring. If the local sponsors do not meet at least 80 percent of their monthly hiring targets over the life of the 13-month program, we can immediately reallocate the unused funds to another agency in the same geographical area that can fill the jobs promptly.

January 17, 1975
R. D. S.

UNEMPLOYMENT INSURANCE

Question:

You recently signed some new unemployment insurance bills. Would you outline what they will do?

Answer:

There are two new bills that together will help almost all jobless workers:

First, the Emergency Unemployment Compensation Act provides an additional 13 weeks of benefits for workers already in the Federal-State system of unemployment compensation.

Second, Title II of the Emergency Jobs and Unemployment Assistance Act creates a temporary unemployment insurance program for jobless workers not otherwise eligible for payments under any other State or Federal programs, including principally State and local government employees, farmworkers and domestic workers.

Both programs are administered by the States under agreements with the Secretary of Labor.

January 17, 1975
R. D. S.

LONG EMPLOYMENT SERVICE LINES

Question:

What is being done to help shorten those long lines at employment service and unemployment insurance offices?

Answer:

Along with the emergency jobs and benefits legislation I signed a few weeks ago was an appropriation of \$249 million to increase the staffs of those offices by some 16,000 people. The Unemployment Insurance offices will be getting 15,000 new people to help speed up service and the Employment Service offices are getting another 1,200 people. With this added staff, now being hired as rapidly as possible, we certainly hope to make a sizable reduction in waiting time for those forced to wait in such lines.

January 17, 1975
R. D. S.

EXHAUSTION OF REGULAR BENEFITS

Question:

What happens when a jobless person exhausts all of his regular unemployment compensation benefits?

Answer:

In 19 States, such an individual can go immediately to Federal-State extended benefits and in turn to Federal supplemental benefits. By the last week in February this will be true in all States.

January 17, 1975
R. D. S.

UNEMPLOYMENT

Question:

Has the recent increase in unemployment been largely confined to certain groups in the economy such as the automobile and construction industries or has the jump in joblessness been more widespread?

Answer:

The rising tide in joblessness that we have experienced in recent months has affected virtually every worker group in the economy. In December, the unemployment rates for nearly all worker groups were at or near their highest points since the recession of 1960-1961 and 1957-1958.

Although a common image is that the unemployed are comprised almost entirely of male blue-collar workers, the statistics show that this is not entirely the case. Indeed, adult males have been hit very hard by rising unemployment, but the unemployment rate for adult females in December, at 7.2 percent, was the highest it has been since monthly statistics were collected in 1948. And although blue-collar workers have registered sizeable increases in unemployment in recent months, white-collar workers have also been severely affected. In December, their jobless rate was 4.1 percent, an alltime high monthly figure.

So you can see that the increase in unemployment has not been confined to any one or two particular trouble spots. It is a problem which has permeated throughout the entire economy and is a problem which must be quickly solved.

January 17, 1975
R. D. S.

B

ENERGY

QUESTION - In place of tariffs, why didn't the Administration propose import quotas to limit the amount of imported oil the nation's use?

ANSWER - I am opposed to import quota systems because they have not worked in the past. More importantly, they force government into complex allocation schemes which we are trying to avoid in our new energy program.

FURTHER INFO - A program to limit imports by quota under current conditions would have to be fundamentally different from our previous import quota system. In the past, we instituted quotas to protect the development of domestic supplies from cheap imports. Now the average price of domestic oil is substantially lower than the average cost of imported oil. Thus, the historical reason for imposing a quota does not exist, unless we allow domestic prices to rise above imported oil prices.

The Administration has also announced a goal of deallocation. If we reimposed a quota system, we probably would have to increase the scale of allocations to protect the economies of the New England and Middle Atlantic states. In those regions, utilities and certain industries are heavily dependent on imported residual oil. It would be very difficult to replace imported supplies with residual oil produced in domestic refineries. In the past, a series of exceptions had to be made in the quota program to meet such special needs.

The concept of using import quotas to restrain demand also has serious short-comings. Initiating a mandatory import reduction program, using quotas, without making provision for demand reduction and rationing would cause shortages, a decrease in GNP, an increase in unemployment, inflationary pressure, and further price distortions. Consequently, I favor a program which reduces oil demand directly and by market forces rather than just cutting imports arbitrarily.

QUESTION - What do you expect to be the benefits of decontrolling "old" oil and natural gas prices?

ANSWER - Decontrolling oil prices should stem the decline in U.S. crude oil production, increase competition in petroleum products marketing, and put additional pressure on high-priced imported petroleum supplies. Decontrolling natural gas prices would end the economic distortions such as fuel switching caused by underpricing this fuel, bring supply into balance with demand, and eliminate regional disparities in the supply and pricing of natural gas.

FURTHER INFO - Decontrolling "old" domestic crude oil would encourage additional production from fields now under price controls. The stripper well exemption from the FEA's price control authority offers a powerful incentive to cut production or to allow production from old fields to decline, rather than investing in improved recovery methods.

In addition, decontrolling "old" oil would tend to increase competition in product marketing. Only part of increased gasoline prices can be accounted for by increased crude oil prices. The remainder is attributable to international transfer prices, inflation and excessive dealer margins. Consumers are paying as much for products as they would under price decontrol; profits are going to distribution and marketing rather than production.

Finally, decontrolling domestic crude prices would put pressure on petroleum imports in several different ways. Any price increases would curb consumption, any increase in domestic production would reduce imports, and companies will have more incentive to resist higher import prices when they no longer have low-cost, price-controlled crude to average in.

- 2 -

The result of natural gas regulation has been overconsumption and uneconomic choices of gas as a fuel. Shortages have meant non-market allocation among gas consumers, plus restrictions both on new consumers and on growth in higher-value, non-fuel uses. Regional fuel cost disparities have been exacerbated by emergence of intrastate, unregulated markets and because shortages mean substitution of expensive imports when supply contracts expire.

QUESTION - The Sierra Club says that the 5-year delay in auto exhaust clean up rules means the President is "giving away something for nothing" because he is asking, not requiring, Detroit to come up with better fuel economy. He is "giving away an improvement in air quality for no definite improvement in fuel economy." What is your reaction?

ANSWER - I strongly endorse the President's proposal for delaying mandatory auto emission standards and disagree with the allegation that this action will result in "giving away something for nothing." To the contrary, the President's proposal takes full cognizance of the sharp downturn in economic activity and in automobile sales, providing for a more realistic and less disruptive development of emission control equipment, while at the same time achieving a 40% increase in fuel efficiency. Moreover, the President's plan will result in full compliance with the primary auto emission standards now in effect.

The proposal to extend the time required to comply with the original 1977 auto emission standards is based on the need to balance fuel conservation measures with the Clean Air Act requirements. Simply proceeding with the present schedule for emission controls would have involved the additional consumption of 1 1/2 to 5 1/2 billion gallons of gasoline per year by 1980. By extending the time required to comply with the final emission limitations, we will achieve a 40 percent improvement in fuel consumption.

QUESTION - Considering the inflationary impact of an oil tax increase of the size the Administration proposes, why do you see it as preferable to a non-inflationary program to cut energy use by mandatory allocations of petroleum, gasoline rationing?

ANSWER - The Administration is fighting both inflation and unemployment. Mandatory allocations and rationing of petroleum would create individual hardship, "hidden inflation," commodity shortages--causing other product price increases, and unemployment.

FURTHER INFO - The higher gasoline and fuel oil prices caused by the Administration import license fees and domestic taxes on petroleum will be rebated to the consumer via offsetting tax cuts. This procedure may cause some inequities and hardships. However, anyone who went through the gasoline rationing debates last year will readily recognize that rationing creates just as many, or more, inequities and hardships, with a cost of administration of well over \$1 billion.

Limits of petroleum imports, without increased domestic production will create shortages and what economists call "hidden inflation." The shortages will necessitate either rationing or lines at the gas stations, such as we had last winter. With commodity shortages there is tremendous pressure for price increases, not only with the commodity in short supply, but with any acceptable substitutes. Price controls in the petroleum market, with shortages, would necessitate further controls and allocations in natural gas, LNG, coal, and electricity.

It has been estimated that a decrease in 1 million barrels per day of oil imports, without offsetting oil price increases would raise unemployment by 400,000. This is clearly unacceptable.

QUESTION - Wouldn't it be more fair to ration gasoline rather than to rely on higher prices which hit low income groups but don't bother the rich very much?

ANSWER - Gasoline rationing--or any other type of rationing--gives the illusion of fairness. In practice, however, some bureaucrat--local or Federal--has to decide in a way that has to be arbitrary how many gallons per week each individual gets. There would be no way for such a system to be operated fairly. Furthermore, the task would be gigantic in our present-day economy and would require thousands of people to enforce and millions of dollars to operate. Even so, there is no way for the system to work properly in the sense of most people believing that they are being treated equitably. Even greater difficulties would occur when people moved from one home to another and during the creation of new businesses. There is a great fallacy that rationing would be necessary for only a brief period of time so that the serious inequities could probably be temporarily tolerated. The energy problems requiring conservation are not temporary. That is why any meaningful adjustment of energy consumption must be based on a program the people will support on a permanent basis. The market price approach may not be popular but at least the people have the right to choose how they want to spend their money.

Fairness is important, probably the most important thing of all. In our tax proposals to rebate the receipts from the energy tax, the emphasis is where it is needed most--at low and middle income levels.

QUESTION - Some OPEC nations are claiming that the proposed gasoline tariff runs counter to the professed spirit of freer world trade. Do you expect their reaction to be the start of far more serious problems with OPEC countries?

ANSWER - No, a tariff on gasoline would have a minimum effect upon our trade with OPEC and any reaction on their part would be unwarranted and hence unexpected.

FURTHER INFO - Only 2% of U.S. energy imports are in the form of gasoline. In fact all light products add up to about 11% of petroleum imports. This situation is not likely to change due to economic factors which make product movement and storage more costly than moving the crude oil and refining it near final markets. Therefore, tariffs on gasoline and other light products will not effect current or future OPEC trade. Any reaction by OPEC would not have economic justification.

As far as the free trade issue is concerned, the U.S. has not reversed its policy. Most countries recognize the right of a country to limit imports on commodities when national security is threatened. This is the only reason the U.S. would limit petroleum imports through tariffs or quotas. The capricious price and supply (embargo) actions of certain OPEC members leaves them little room to criticize nations which take measures to protect themselves from such behavior.

QUESTION - Since you have recommended a tariff on imported crude oil are you prepared to recommend similar levels of protection for industries that really need it?

ANSWER - No. The purpose of the import fee on imported crude oil is not to protect domestic industry, but instead to equalize costs of crude oil from foreign and domestic sources as a part of the program using the market mechanism to encourage energy conservation. The import fee has as a counterpart a domestic excise tax of the same size. Any windfall gains to domestic crude oil producers will be absorbed by the proposed windfall profits tax.

QUESTION - Where would the U.S. get the money to put into the \$25 billion Simon-Kissinger fund? From energy taxes?

ANSWER - We are still in the process of considering various techniques for funding the United States contribution to the solidarity fund, including appropriations, appropriated borrowing authority, borrowing authority, and guarantees with appropriations to come if they are needed. We are consulting with members of Congress on the best way to proceed.

QUESTION - How would you characterize the cooperation among OECD countries and especially the cooperation of France with respect to international monetary and energy problems. French Finance Minister Fourcade's comment "there is solidarity in the OPEC,. . . . the IMF, it is desirable to have solidarity among the 24 members of the OECD."

ANSWER - Cooperation among OECD countries is excellent. Witness the agreements that have been reached in sharing oil supplies in an emergency and, now, for financial support arrangements to assist participating members facing serious economic difficulties. While France and the U.S. have approached some aspects of these issues from a different viewpoint, the understandings developed at Martinique and in the recent meetings of the Group of Ten and the IMF Interim Committee pave the way for meaningful cooperation between our countries in dealing with energy and financial problems.

GENERAL DOMESTIC

C

CHIEF JUSTICE BURGER

Question

Was it proper for the Chief Justice to tell Nixon, as Dean said, that the tapes would not have to be surrendered?

Answer

No, but I would admonish you from assuming it happened on the basis of what Dean said that Colson said that Nixon said that Burger said. It is simply not decent to challenge another's character or propriety on so slim a basis.

PA 1/16/75

SENATE RULES

Question

Would you give us your views with respect to efforts by certain members of the Senate to reduce further the use of the filibuster technique (Rule XXII).

Answer

This is an internal administrative question facing the Senate, and I would therefore think it inappropriate to offer any comment.

PA 1/16/75

COLEMAN

Question

Does the fact that Transportation Secretary designate Coleman currently serves as a director of Pan Am constitute a potential conflict of interest?

Answer:

Mr. Coleman has indicated that he will resign his directorship if confirmed by the Senate and take such other action as may be necessary in order to eliminate even the appearance of a conflict. In this latter regard, he has indicated his willingness to divest himself of certain stockholdings and disqualify himself from any future actions as Secretary of Transportation which would raise any question of impropriety.

POCKET VETO

Question

Why did you flout the law by pocket vetoing certain bills during the election recess? Did you instruct the Solicitor General not to appeal the Kennedy v. Sampson case contesting the pocket veto?

Answer:

Let me suggest that you talk with Robert Bork, the Solicitor General, about his decision. (Those editorialists who criticized him might better have spoken with him first.) For the lawyers here tonight, however, let me offer three points.

1. During the election recess, I effectively vetoed several bills, Congress overrode one, but responsibly undertook to avoid any doubt about its status by re-passing the bill, which I then signed. Nobody was "flouting the law."
2. The recess in question was far longer than the one involved in the Sampson case. And every lawyer knows that different facts often call for different results.
3. On the particular facts of the Sampson case, the Solicitor General had no quarrel with the lower court and saw no reason to seek review by the very busy Supreme Court.

NIXON MATERIALS

Question

Ron Ziegler said that your Administration refused to forward Nixon mail and other personal property, such as memorabilia, to San Clemente. Is this true?

Answer

The White House is under a court injunction preventing the transfer of tapes, documents or other Presidential materials of the Nixon Administration. Such materials are also covered in some degree by a recent statute.

Efforts have been underway, however, to segregate for transfer to Mr. Nixon letters mailed to him at the White House after he left office. These letters are intermingled with his Presidential materials, but seem to fall outside the scope of the statute and the court order. Other papers and memorabilia are now being inventoried. The inventory will be presented to the court for review, and materials not covered by the statute or the court order will be transferred to Mr. Nixon.

PA 1/17/75

SPECIAL PROSECUTOR COOPERATION

Question

Reports have been circulating that the White House is unhappy with the Special Prosecutor's "vindictive" refusal to "clear" the names of all prospective Presidential appointees.

Answer

The Special Prosecutor has been splendidly cooperative. I am grateful for his assistance in the process of getting people appointed to the government.

[The Special Prosecutor does not "clear" people; he merely provides relevant information bearing on a prospective appointment.]

MESKILL

Question

Why did you re-nominate Governor Meskill to be a federal judge? Shouldn't you have waited for the Connecticut Legislature's report on alleged improper leasing practices? Was there a deal with Senator Weicker?

Answer

There was an inquiry into these matters before Governor Meskill's name was first submitted to the Senate. The Connecticut hearings on State leasing practices seemed to have relatively little to do with Governor Meskill personally. I see no reason to change my view that he is qualified to be a federal judge.

PA 1/16/75

DOMESTIC SPYING BY FBI

Question

If domestic spying by the CIA is abhorrent, why doesn't your panel also inquire into Army or FBI spying on our citizens? How do you feel about FBI spying?

Answer

I will save you from a long speech about law enforcement agencies and information gathering. Let me make only these points. I have singled out the CIA because it is not a law enforcement agency and because it must scrupulously comply with the laws limiting its domestic operations. Second, and more generally, my commitment to individual privacy and liberty is well known. I will not tolerate improper invasions of such privacy.

PROSECUTING CIA WRONGDOERS

Question

If the CIA illegally spied on American citizens, would you favor criminal prosecution of the wrongdoers?

Answer

1. A domestic act in violation of the CIA statute is not of itself a crime.
2. If any crimes were involved, the decision to prosecute will have to be made by the Department of Justice in the light of the facts of each case.
3. The Justice Department is making an inquiry and will have the benefit of cooperation from the Rockefeller Commission.

CIA PANEL

Question

How can the public expect a fair and impartial report from a panel biased in favor of the CIA? Why didn't you include any "liberal" critics of the CIA?

Answer

I am astonished at the unfair assumption that men who believe in the necessity of gathering foreign intelligence would want to cover up any improper domestic activities they found. The panel is a responsible one. It deserves to be judged fairly and impartially on the basis of its work.

Question

Will the panel's report be made public?

Answer

Its findings and recommendations will be reported to Congress and to the public.

STRIKE ACTIVITY

Question:

The Bureau of Labor Statistics has reported very high levels of strikes each month since the termination of wage and price controls. Were record strike levels established in 1974?

Answer:

We do not have complete returns for all of 1974 at this time. Preliminary information indicates that there were as many and possibly more strikes than we have experienced in the past, but that these stoppages were smaller and shorter than in some recent years. We can say with a great degree of certainty that there were fewer workers who struck in 1974 than the 3.3 million recorded in 1970 and 1971. It also appears that last year's strikers were away from their jobs for fewer days than in 1970. Total days of idleness will probably not differ much from the 47.6 million recorded in 1971. Information for the first 6 months of 1974 indicates that a higher proportion of these strikes, than in 1973, resulted from the inability of unions and employers to agree on the size of wage increases.

January 17, 1975
R. D. S.

SENIORITY SYSTEMS

Question:

In some industries and in some communities, employers have been hiring and promoting minorities and women in significant numbers only in recent years. Now many of these people have lost or are in danger of losing their jobs through layoffs arising under seniority systems embodying the last-hired, first-fired principle. What are your views on this problem?

Answer

Seniority systems which are non-discriminatory have long been recognized as a legitimate method of ensuring job security. Where the seniority system has been used to perpetuate the effects of past discrimination, the courts have generally required the modification of the system. Most courts, however, have been unwilling to remedy racial or sexual imbalance by giving persons credit in the form of seniority which they have not individually earned. I agree with this result. There is no real conflict between the national effort to increase job opportunities for those groups of Americans who have been unfairly denied employment and the legitimate expectations of workers that the years they have been working will provide job security.

January 17, 1975
R. D. S.