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BIOMEDICAL RESEARCH ETHICSQuestion:

Mr. President, can you tell me what position your Administration will take regarding ethics in biomedical research in general and fetal research in particular?

Answer:

I know, this is an issue of much concern to many people so let me say that I am glad the Congress has taken action toward resolving some of the controversies surrounding biomedical research. What the Congress did was pass a bill requiring the Secretary of HEW to appoint an 11 member commission to study and make recommendations regarding basic ethical principles in biomedical research. And the bill mandated a moratorium on fetal research in this country until that panel makes its report. So, until the panel makes its recommendations to the Secretary, I think it is a good idea for me to keep an open mind.

BIOMEDICAL RESEARCHQuestion:

The Federal Government has a tremendous impact on the direction of biomedical research in this country. Some have been critical of its priorities in that research and the manner in which funds are spent. Will your Administration do anything about that problem?

Answer:

Yes, I'm aware of the concerns of our scientific community and that is why I will soon be appointing a Presidential Commission on Biomedical Research, as provided for in the 1974 Cancer Act extension. This panel, to be comprised of leading scientists as well as private citizens, will study such issues as the appropriate Federal role and level of support, priorities and organization and the changing relationship of biomedical research to our health needs. I will be looking forward to the Commission's recommendations.

SSIQuestion:

Are you satisfied with progress made by the Social Security Administration in improving the administration of the new SSI program? They seemed to have some problems earlier in the year in getting checks to beneficiaries.

Answer:

Yes, despite some understandable initial computer problems, the Social Security Administration has done an outstanding job in converting over 3 million recipients from State to Federal roles. And very few people suffered any interruption in their benefits. Most importantly, for the first time these needy people are assured financial assistance from a program based on uniform eligibility requirements and basic payment levels throughout the country.

Background:

Since January 1, 1974, the Social Security Administration has been responsible for payments to the aged, blind, and disabled under the new Supplementary Security Income (SSI) program which has replaced the State programs of aid to the aged, blind and totally disabled. SSI assures a minimum income of \$146 a month for individuals and \$219 for a couple. States may supplement the Federal payment through an optional State supplementary payment.

In the initial months of SSI many complaints were heard, most due to expected confusion in converting over 3 million recipients to the Federal program. However, the Social Security Administration worked hard to work out the kinks and has received strong praise for its success.

SOCIAL SECURITYQuestion:

Some people have charged that our social security system is in trouble and nearing bankruptcy. Are you planning to look into that problem?

Answer:

You must be referring to estimates that predict trouble for social security in the 21st century if benefits keep rising as they have recently. Those estimates concern me too and that is why I am going to study the situation now, while we still have plenty of time to take any necessary action. The Social Security Advisory Panel is meeting this year to consider many of the issues regarding the future direction of social security. I am looking forward to receiving their report and recommendations.

Note:

There is general agreement among experts that both the benefit structure and financing of social security must be examined. The combination of an increasingly visible payroll tax, rapidly growing benefits and a population that will have more of the aged than the young could have a severe impact on the future of social security.

OLDER AMERICANS

Recently, you met with representatives of older Americans organizations and listened to their concerns. What will the Ford Administration do for those people?

Answer:

First of all let me say that the major concern of older Americans is inflation. They are the people that are hit hardest by it. The greatest service I could do for our senior citizens is to continue the battle against inflation. Second, this Administration is dedicated to helping older Americans live lives of dignity and self-sufficiency in their own homes as long as possible. As I said to the older American representatives recently, I'm not going to make any promises until I'm sure I can follow through. My staff is in the process now of studying the suggestions put forth in that meeting and will then be submitting their recommendations to me as to what further action we can take.

WORKMEN'S COMPENSATIONQuestion:

What is the Administration's position on proposed legislation that would interject the Federal Government into the area of State Workmen's Compensation?

Answer:

A Federal task force has been organized to help the States improve their compensation systems. At the same time, we have underway a major research program to analyze fundamental issues relating to workmen's compensation and to make recommendations by the end of 1975 for further State or Federal action.

LABOR SETTLEMENTSQuestion:

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.

R. D. S.

9/11/74

BLACK YOUTH UNEMPLOYMENTQuestion:

Black teenage unemployment averaged about 30% so far this year. Does your Administration have plans to combat this problem?

Answer:

We are currently evaluating certain new initiatives addressing this persistent and discouraging problem. Among the possibilities being examined are:

- Putting job placement services right in high schools, including schools with high black enrollments;
- Installing practical occupational information systems in such schools and in other agencies serving youth;
- Expanding cooperative education and other work-study programs;
- Establishing special arrangements between schools and apprenticeship programs.

Question:

Has the Veterans Administration solved the problem of late checks to veterans in school under the G. I. Bill, or will there be mass complaints from veterans and schools again this Fall?

Answer:

We believe the VA has solved this problem by changing the computer system and instituting the campus representative program and complaints of late checks on the part of veterans and schools should be down to a bare minimum and these cases will be cleared up in days instead of weeks.

Background:

A number of technical changes in the way the computer processed the cases were made so that most reasons for breaks in payment have been eliminated. Therefore, if the VA gets the right information on time from the veteran and the school, the educational assistance checks will be issued on time and without undue interruption thereafter. Also, VA's instructions to veterans, schools, and its own field offices have been improved.

But the most significant innovation is that the VA has now stationed a veterans counselor right on every major college and university campus throughout the Nation. This person is a fully trained ombudsman for both the veteran and the school. If a veteran's check isn't there when it should be, the VA employee will use a hot-line to the Regional Office and get an immediate response, including the issuance of a hardship payment to the veteran if necessary.

The VA's representative-on-campus will be able to help veterans with all their other veteran benefit problems as well, and he will make for very effective liaison relationships with the schools and other training institutions under the G. I. Bill program.

Question:

What is the status of the Man-on-the-Campus program?

Answer:

Presently, VA has recruited and trained 1,327 people for this effort. Nearly all are Vietnam-era veterans and are in place on the campuses and are working out final details with schools in preparation for fall enrollment. Congress and the major veterans service organizations have been well briefed and generally support the program. Colleges and universities have been cooperative.

This program represents positive action to solve the educational benefit problem and that the effort will be monitored closely as the fall term begins.

Background:

Last Fall, VA received a growing number of complaints from student veterans who were not receiving their benefit checks in a timely fashion. It became obvious that some of the blame lay with VA management procedures. An OMB/VA top management effort was begun to analyze the problem and develop a solution. VA became convinced that a large part of their problem lay with their complaint-oriented management policy. As a result, the idea of place a VA employee on the campuses was developed. The primary responsibility of the man-on-the-campus is to make advance educational assistance payments, to act as focal points to assure that the veterans pay status will continue, to facilitate VA paperwork handling, and to resolve VA educational benefit problems.

INCREASE IN VA/FHA LOANSQuestion:

What was the basis for increasing the interest rate to 9-1/2% on VA and FHA loans?

Answer:

In order for these programs to be effective for home buyers, the interest rate on VA and FHA loans must be maintained at a level consistent with the demands of the loan market. If the interest rate is allowed to fall behind the market, the availability of money for loans becomes seriously impaired. Several weeks ago, all indicators pointed to a need to increase the rate above 9%, then in effect. The increase to 9-1/2% was made on August 14, narrowing the gap in relation to the loan market. In addition to improving the yield from such loans, the increase in the interest rate also effected a reduction in discounts. Both results have contributed to improving the housing outlook.

Question:

What is this Administration's attitude toward charges that the Vietnam veteran is not getting a fair shake?

Answer:

First of all we believe it is impossible to repay fully the sacrifices made by war veterans, regardless of the period in which they served. However, the benefits available to Vietnam veterans are comparable to and in some instances better than those available to veterans of earlier wars. There have been some lags in making cost of living increases in educational assistance allowances for Vietnam veterans. As you know, former President Nixon called for an increase in these payments last October but a bill still hasn't come out of the Congress to effect this.

Background:

Meanwhile, Vietnam era veterans make up 24.2 percent of the veteran population and 30.3 percent of VA's budget of \$13 plus billion is spent in their behalf. Some small groups of Vietnam veterans contend there has been wholesale alienation of the young veteran in our society, but nearly five million Vietnam veterans are now at work in the civilian labor force and two million more are in training. In fact, 2.6 million Vietnam veterans have trained at college level under the G. I. Bill--topping the record of the World War II programs.

Question:

Since you have recently reaffirmed your support of the Equal Rights Amendment, what are your thoughts about the women's movement in general?

Answer:

Women participate and contribute to our Nation's economic, social and political well-being in a variety of ways--through paid employment, volunteer work outside the home, and as homemakers and mothers. I believe that women should have equal legal status and that women and men should be given the opportunity to choose any career they wish--homemaker, lawyer, doctor, nurse, volunteer, plumber, etc.

My Administration is pledged to removing those discriminatory barriers which prohibit women from realizing and achieving their full potential.

Background:

Since women comprise 53% of the population, the issues of concern to women are numerous. Additionally, in today's changing society the roles women are assuming vary. Women comprise about 40% of today's labor market; of this group 41% have husbands present in the home.

The issues of greatest concern to women, which also divide women, are the Equal Rights Amendment, abortion, admittance of women to military academies, day care, regulations covering Title IX of the Education Amendments of 1972, and drafting of women.

Other issues of concern to women on which controversy is at a minimum are International Women's Year, appointment of women to top policy-making positions in the government, elimination of credit discrimination, and equal pay for equal work.

The goal of the women's rights movement is to elevate the status of all women and to make it possible for women and men to choose whatever role they prefer--be it homemaker, volunteer, career outside the home, or any combination of these.

Those women who oppose the women's movement relate the women working toward equality for women as the radical women who first made the news in 1968 protesting the "Miss America" pageant dubbed by the press as "women's libbers."

YOUTHQuestion:

How are you going to involve young people in your Administration?

Answer:

I believe that young people, just like any other segment of the population, should have an equal opportunity to be heard and to make a positive input in policy making. In that regard, I am committed to appointing the most qualified and representative young people to both full-time positions and part-time Advisory Commissions, Councils and Boards. The most important point, however, is qualification and experience. If a young person has the greatest experience and expertise to handle the assignments, then by all means he or she will be the one whose advice is accepted.

Background:

While we have passed the disturbing era of the 60's, young people have continued to press for more representation at high levels in government and out. In the past five years more appointments of young people have been made to both Advisory and full-time positions than in all previous Administrations combined. There are now more than 40 persons under twenty-five serving in high level Advisory capacities, and more than one dozen young people under 30 serving in GS-16 and above appointed positions. For the first time in history, student-youth have been appointed to Presidential positions.

Other positive youth areas are the President's Commission on White House Fellows, which annually brings in 15-18 outstanding men and women between 21-35 for a year-long look at the Executive Branch at a high level; and the White House Summer Intern Program, which was established in 1969 and which employs approximately 25-35 undergraduate and graduate students in the White House for three months.

HISPANIC-AMERICANSQuestion:

Recent news articles and government reports have focused on the multitude of problems facing Americans of Spanish heritage -- sometimes considered a forgotten minority. What actions are being undertaken on behalf of the Hispanic-American?

Answer:

To begin with, such catch-all terms as Hispanic-Americans or Spanish-speaking Americans are unfortunate misnomers which do not give proper recognition, for instance, to the vast differences or degrees of differences in the problems faced by the rural Mexican of the West compared to the urban Puerto Rican of the Northeast.

The Cabinet Committee on Opportunities for Spanish Speaking People has made a valuable contribution in making government sensitive to the needs of Hispanic peoples as well as in advising on solutions to their problems. As many of you know, I have recently named a Special Assistant to me who will work with the Cabinet Committee, the executive branch and the Congress in seeking solutions to these complex problems.

Background:

Activists continue to look for increased government employment of Hispanic-Americans as an indication of the Administration's "commitment" to this ethnic group. Despite a total reduction in the Federal workforce of 77,000 persons during the past five years, Hispanic employment has actually increased by 4,600 persons. Moreover, since President Johnson's Administration, there has been a five-fold increase in Hispanos holding Presidential appointments and a fifteen-fold increase in the number of regional directors and deputy regional directors. The latter is particularly significant given the advent of revenue sharing.

The main vehicle of the Administration's focus on the Hispano has been the Cabinet Committee on Opportunities for Spanish Speaking People which was created by Congress in 1969 to make government more aware of this minority's problems and to provide a focal point where community interests and concerns may be voiced.

Legislative authorization for the Cabinet Committee expires this December 31 and the Administration currently supports legislation which would extend the Committee through FY 1975.

STRIP MININGQuestion:

Both the House and the Senate have passed tough bills to control strip mining and a Conference Committee in meeting to resolve differences between the two bills. What do you believe are the prospects for getting a bill that you can sign?

Answer:

I am still hopeful that the House and Senate will agree on a bill that strikes a reasonable balance between our objective for environmental protection and reclamation and our urgent need for producing more coal. Every ton of coal we can produce domestically will permit us to avoid importing about 4 barrels of oil -- so the legislation is important from the standpoint of energy independence and balance of payments as well as protecting the environment.

I hope the Conferees can come up with an acceptable compromise bill by selecting the best provisions from the two that have been passed but the job will be difficult because there are provisions in each bill that present serious problems.

Background:

- Bills now in Conference passed the Senate in October 1973, and the House in July 1974.
- Secretary Morton wrote to the Conferees on August 6, 1974, expressing the Administration's desire for legislation which strikes a balance but which solves a number of problems including:
  - (a) Major changes in property rights,
  - (b) Disruption of unemployment and economic assistance policies,
  - (c) Increased Federal spending,
  - (d) Unnecessary Federal involvement in regulatory activities that can be carried out by the States,
  - (e) The Conference committee is proceeding very slowly - not yet tackling the major issues.

M. Duval (G.S.)  
9/11/74

Question:

Now that gasoline and other energy supplies are more plentiful, most everyone seems to have forgotten the idea of energy conservation. Will the Ford Administration demonstrate any interest in this area?

Answer:

Energy conservation is an essential part of our national effort to achieve energy independence. I urge all Americans to join in concentrated efforts to conserve energy. I expect to continue pushing energy conservation by:

- . directing Federal agencies to continue energy conservation programs,
- . continuing cooperative energy conservation programs with industry which are being led by the Federal Energy Administration and Commerce Department,
- . continuing to encourage everyone to conserve energy in all their activities.

Background:

- . Assumptions persist -- particularly among environmentalists -- that the Administration is interested only in increasing energy supplies, not in conservation.
- . Example of accomplishment:
  - During the first nine months of fiscal year 1974, Federal agencies reduced energy consumption 26% below what had been anticipated. The energy savings were the equivalent of 75 million barrels of oil with a dollar value in excess of \$600 million.
  - Industry, by reducing anticipated demand by 5% -- which is considered realistic, could save the equivalent of 425 million barrels of oil in one year.

M. Duval (G.S.)  
9/11/74

REMOVING PRICE CONTROLS FROM OILQuestion:

Are you going to take price controls off petroleum and let the consumers contribute even more to outrageous oil company profits?

Answer:

I have no plans at this time to remove price controls from petroleum. I understand that the Federal Energy Administration (FEA) and a working group of the Committee on Energy are developing alternatives and recommendations for dealing with the problems for petroleum deallocation and price control, but no recommendations have come to me. I will review any recommendations that I get in this area very carefully because of the potential impact on:

- (a) Consumer prices
- (b) The independent sector of the petroleum industry, and
- (c) Our ability to increase domestic oil production.

Background:

- Press accounts on August 23 of plans to remove price controls have sparked criticism from Senator Jackson and others.
- FEA now allocates crude oil and petroleum products and controls prices under authority of the Energy Petroleum Allocation Act which is due to expire on February 28, 1975. Objectives of this Act are to protect independents and consumers. The Senate is moving on legislation to extend the Act to June 30, 1975.
- Price controls are still in effect for about 60% of domestic crude oil (so called "old" oil - \$5.25 per barrel) but not on the other 40% of domestic crude or on imports (about \$9-12 per barrel). Price controls are still maintained on most petroleum products but the higher cost of domestic and imported crude and of imported products can be "passed through" to consumers.
- On May 25, 1974, President Nixon directed FEA to come up with a plan to move away from petroleum deallocation -- with the objective of increasing domestic oil production. Work on a plan is under way in FEA and a working group of the Committee on Energy (chaired by Bill Simon). Recommendations have not yet gone to the Committee.
- Problem is complex. General consensus is that action to remove crude price differential must precede deallocation or independent sector of the industry will suffer.

M. Duval(G.S.)  
9/11/74

ABANDON ENVIRONMENTAL GOALSQuestion:

On August 15, Secretary Morton delivered a speech for you which is sharply critical of those who are trying to improve the environment. Does this mean that your Administration will be working against environmental goals?

Answer:

Since 1970, we have achieved significant improvements in the quality of the Nation's environment, particularly in the case of air pollution. My Administration will push for continued progress toward greater improvement. However, this does not mean that we should or will pursue environmental objectives at the expense of other very important national objectives -- such as an adequate supply of energy or economic and social growth. The key is balance -- and my policies will reflect the need for achieving the best possible balance so that we will move toward achieving all our important national goals, rather than one goal at the expense of others.

Background:

- While speech was delivered by Secretary Morton, it was reported by media as the President's statement.
- Initial media commentary has largely been critical -- suggesting that speech unfairly ascribes "no growth" motives to environmentalists.

M. Duval (G.S.)  
9/11/74

## NATURAL GAS SHORTAGES

Question:

According to the Federal Power Commission a number of industrial customers are facing curtailment of natural gas supplies this winter -- which will put a lot of people out of work. Why are you letting FPC do this?

Answer:

The FPC is estimating a major increase (81%) in gas curtailments for industrial customers this winter. This is a direct result of the growing national shortage of natural gas -- which can be attributed directly to Federal regulations which, over the past decade or more, has held prices to natural gas producers at an artificially low level. The result has been (1) a steady decline in exploration and discovery of new natural supplies and, (2) great increases in demand because of artificially low prices. New supplies simply have not kept up with demand.

The only real answer to this growing problem is Congressional action to remove Federal regulation of new natural gas prices.

For this winter, Federal Energy Administration is working to identify industrial customers who will be affected and to do what they can to help find alternative fuels for them.

Background:

- . The curtailment problem for industry could be serious in several parts of the country, particularly if there is a cold winter, leading to heavy residential natural gas use.
- . Industrial customers will be cut off first because it simply is not feasible to cut off residential customers.
- . The areas of the country most likely to be hit are (1) the Gulf Coast States, (2) the Carolinas, (3) Kansas, Missouri, Oklahoma, and (4) the Northeast States.
- . FPC normally does not know which specific firms will be hit by the curtailments -- only the pipeline distributors. FEA and FPC are now working to identify end users and to see what can be done to ease the problems.

M. Duval (G.S.)  
9/11/74

DEREGULATION OF NATURAL GASQuestion:

Why is your Administration opposing the efforts of Senators Stevenson and Pearson and others in the Senate Commerce Committee to come up with an acceptable compromise on natural gas price regulation?

Answer:

*Note* | It has been clear for months -- or even years -- that Federal regulation of natural gas prices has been a major factor contributing to our growing shortage of natural gas. We must deal with the matter in a way that encourages new natural gas production but does not result in sharp increases in prices to the consumer. I believe both objectives can be achieved by removing Federal price regulation from new natural gas and continuing regulation of "old" gas. A bill to do this has been pending before the Congress for over a year.

My Administration has opposed legislation which would change the way we regulate but, in effect, continue the basic approach of Federal regulation that has proven to be so damaging. Such legislation will not solve the problem and might only delay the time when effective action is taken. The need for action is critical since more and more natural gas consumers are being hit by curtailment of supply which could have a serious economic impact.

Background:

- A proposal was submitted in April 1973 to remove Federal price regulation from "new" natural gas.
- Senate Commerce Committee has held hearings on natural gas price regulation and considered several approaches -- but none calling for total deregulation of new gas. The Committee is now considering a proposal by Senators Stevenson and Pearson which would transfer price setting responsibility for some "new" gas from FPC to FEA. But the bill would maintain price control and even tighten the control over "old" gas. This approach was opposed in a Simon-Sawhill August 12, 1974 letter to Senator Cotton (Senior Minority member of the Committee) -- which letter has caused unhappiness on the part of Senator Pearson and most Committee Democrats.
- Meanwhile, Senators Long, Fannin and others are preparing to add a natural gas deregulation amendment to the Trade bill when it comes to the floor.

M. Duval (G.S.)  
9/11/74

OUTER CONTINENTAL SHELF (OCS) LEASING  
AND OIL AND GAS DEVELOPMENT

Question:

President Nixon ordered Secretary Morton to institute a ten-fold increase in leasing of OCS lands for oil and gas development despite strong objections to such action by environmentalists and by people along the East Coast and West Coast and from Alaska. Do you plan to push ahead with that objective or are you prepared to back off and set a more realistic target?

Answer:

We plan to continue all reasonable efforts to increase this Nation's domestic energy supplies. We now import over 6 million barrels of oil and day and - even with strong energy conservation measures - imports will increase in the future unless we increase greatly domestic production of oil and other energy resources.

The Interior Department is studying the question of whether 10 million acres of OCS lands can be leased in 1975 and what the environmental impact of such a leasing program would be.

Interior Department is holding public hearings and providing opportunities for public contribution to the study and I hope that all concerned will take advantage of these opportunities whether they are interested in the environment, in increased domestic energy production, or both.

Background:

- About 1 million acres of OCS lands were leased for 1973.
- Target for 1974 was 3 million acres but current estimates are that about 1.8 million acres will be leased.
- President Nixon's January 23, 1974, energy message directed Secretary Morton to increase leasing to 10 million in 1975.
- In February, Interior requested industry and public views as to the best frontier areas for oil and gas development.
- In May, 1974, Interior announced plans for doing an environmental impact statement with EIS on the 10 million acre proposal.
- The conclusions, published in June, were that the Gulf of Alaska, the Mid-Atlantic and the North Atlantic were the most promising frontiers from a resources point of view.
- Work on the environmental impact statement is continuing, hopefully to be completed by January, 1975.

M. Duval (G.S.)  
9/11/74

PROJECT INDEPENDENCEQuestion:

Energy experts both inside and outside the Government have indicated that President Nixon's goal of meeting "America's energy needs from America's own energy resources" by 1980 can't be achieved and doesn't make sense. Yet, in your address to the Joint Session of Congress, you indicated that you would continue pushing "Project Independence". Just what do you mean by "Project Independence?"

Answer:

I certainly intend to continue pursuing the goals of Project Independence. There are many ways these goals can be defined but, simply stated, I believe that "energy independence" means adequate and reliable energy supplies at reasonable prices. We must not be vulnerable to an embargo on essential energy supplies of the type we experienced last winter which would permit other nations to control our policy or our national well-being.

Achieving energy independence will require a major national effort, including actions to conserve energy without stinting economic growth and to increase production from domestic energy resources.

Work is underway under the leadership of the Federal Energy Administration (FEA) to identify alternative ways in which the Federal Government can provide the leadership necessary for achieving Project Independence goals.

Background:

On November 7, 1973, President Nixon announced Project Independence. His emphasis on "self sufficiency" and on "America's own resources" led to the interpretation that Project Independence meant zero imports. A zero import goal has been criticized widely as unrealistic in the 1980 timeframe and probably not in the national interest.

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LEGACY OF PARKSQuestion:

How does the transition to the Ford Administration affect the Federal Property Council and the Legacy of Parks program?

Answer:

We will continue to transfer underutilized Federal lands to State and local governments for park and recreation development. As you may know, there have been 440 Legacy of Parks properties transferred in all of the States. And we will soon be announcing additional parklands under this program.

The Federal Property Council is continuing to coordinate this program.

Background:

The Federal Property Council was established within the Executive Office of the President by former President Nixon under Executive Order 11724 in July, 1973. The Council Chairman is Anne Armstrong. In three and one-half years, 440 Legacy of Parks properties covering 64,000 acres and valued at \$173 million have been transferred to State and local governments in all 50 States, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands.

The recommendation by Chairman Armstrong is that the Federal Property Council continue to coordinate the Legacy of Parks program and to assure its high Presidential profile. In line with the need to reduce the size and scope of the Executive Office of the President, however, she is recommending that Council staff functions be performed by other agencies, such as GSA, OMB, and the Department of Interior.

ALA  
8-27-74

INTERNATIONAL TERRORISMQuestion:

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

Answer:

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

Background:

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

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

BUSINGQuestion

What is your position on busing?

Answer:

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

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

Background:

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

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

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

GCS  
9/11/74

ANTITRUSTQuestion:

What is your attitude toward antitrust enforcement?

Answer:

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

Background:

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

GCS  
9/11/74

MARIJUANAQuestion:

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

Answer:

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

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

Background:

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

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

DRUG ABUSEQuestion:

What is the current status of our efforts to control drug abuse in America?

Answer:

Results are dramatic. The active heroin addict population has been halved and drug-related street crimes are down substantially. The epidemic of drug abuse among our troops in Vietnam did not come home with them; today, only a small percentage of those who served are civilian addicts. Thus, there is plainly a need to renew our vigilance in this priority area, and to reaffirm our national commitment to it.

Background:

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

GCS

9/11/74

GUN CONTROLQuestion:

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

Answer:

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

Background:

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

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

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

GCS  
9/11/74

PRIVACYQuestion:

When can we expect legislation on your announced privacy initiative?

Answer:

The heart of the privacy initiative is a full review of governmental and commercial policies which affect an individual's right to privacy. As you know, as Vice President, I chaired a Domestic Council Committee to review these policies. That review will continue with a high priority.

Background:

Legislation, where appropriate, will be submitted. But I emphasize that the Committee doesn't necessarily have to wait for legislation to be developed. An example in point is the much discussed Executive Order which would have provided the Department of Agriculture with some information from IRS farm income tax returns. Although no information was ever transmitted to the Department of Agriculture under this Executive Order, as Vice President, I reviewed the matter with Secretary Butz, and we agreed that the Executive Order itself should be rescinded. So you see, legislation will be submitted where it is necessary, but the privacy initiative is not designated with the sole intent of producing proposed legislation.

GCS  
9/11/74

ILLEGAL ALIENSQuestion:

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

Answer:

It is true that this country is flooded with illegal aliens. We estimate that only one out of four or five who entered illegally was apprehended. The attraction that brings these millions here is economic, the jobs and the pay. Recently, this Administration asked Congress to amend the earlier budget submission by adding \$3.5 million for programs in this area.

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

Background:

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

GCS  
9/11/74

CIVIL RIGHTSQuestion:

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

Answer:

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

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

Background:

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

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

BICENTENNIALQuestion:

What's happening on the Bicentennial?

Answer:

A great deal of groundwork has been laid by the American Revolution Bicentennial Administration (ARBA), whose function is to coordinate and facilitate the Bicentennial commemoration. The national focus of the Bicentennial continues to be on the participation of every citizen and every community, with restricted Federal expenditures. International participation is invited and the response from abroad indicates fast-growing interest. Many programs are in the planning stage, with the results to show in the months ahead as we draw closer to the official celebration period -- March 1975 through the end of 1976. Currently, there are more than 1,300 recognized Bicentennial communities and over 3,000 Bicentennial projects underway. Many more are being added daily.

Background:

In 1966, PL 89-491 established the American Revolution Bicentennial Commission (ARBC) to plan and develop the Bicentennial. The Commission recommended a disbursed, grass roots (as opposed to centralized) commemoration and the ARBA, established under PL 93-179 on December 11, 1973, is implementing the original plans. John Warner, former Secretary of the Navy, was sworn in as Administrator on April 11, 1974. ARBA Presidential appointments remaining to be announced are the Deputy Administrator, the 25-member Advisory Council and three Bicentennial Board Members.

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

Through ARBA, \$200,000 matching grants of equal amounts are available to each state and territory, though none have yet been given since policy for the grants is currently being formulated. The ARBA gives non-matching direct grants to each State Bicentennial Commission of \$25,000 annually, and presently is in the process of distributing these operating grants.

BASE CLOSINGSQuestion:

Does the Administration plan to close more military bases this year?

Answer:

No, there are no new base shutdowns planned in the '75 budget.

Question:

Likely follow-up: Is this a reversal of past Administration policy for political reasons?

Answer:

Not at all, Our plans are based on economic and defense considerations --not politics.

Background:

The FY 75 budget did not provide for new base closures. There were some shifts of personnel and missions but no closure projections in the budget.

JHF-9/12/74

BUDGET CUTSQuestion:

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

Answer:

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

Grants to State and local governments are estimated at \$51.7 Billion in FY '75; or, one out of every six Federal dollars to be spent.

Background:

As Governor Winfield Dunn of Tennessee said in the President's meetings with the Governors, with more flexibility, State and local governments could get the job done with less money. They have added tremendous numbers of people in recent years just to administer Federal programs. Almost all are highly paid specialists. Governor Dunn felt he could save \$50 million if Federal aid came with fewer strings.

JHF-9/12/74

REVENUE SHARINGQuestion:

What is the President's position on the reenactment of General Revenue Sharing?

Answer:

As the President told the State and local leaders, he was, is and will continue to be an advocate for General Revenue Sharing. He hopes it can be extended at an early date in substantially its present form.

Background:

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

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

NEW COALITIONQuestion:

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

Answer:

The President thinks this "New Coalition" is a step in the right direction. He encouraged the idea of this effort when it was discussed in their meeting and he wished them great success. The people will be the beneficiaries if State and local governments are given greater responsibility and their elected officials are able to adopt a unified position on priorities which is one of their primary goals.

Background:

The President met with leading Governors, Mayors, County Officials and State Legislators beginning in his first week as President. In all cases, he met with their bipartisan leadership and they have spoken positively on all aspects of the meetings.

JHF-9/12/74

NEW COALITIONQuestion:

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

Answer:

Yes. The President's staff will do so on a regular basis and the "New Coalition" also plans regular sessions with the Congressional Budget Committees.

Background:

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

They have agreed to get together again in early November.

JHF-9/12/74

NATIONWIDE CRIME RATEQuestion:

The FBI released figures recently showing crime for 1973 was up 6 percent over 1972, and a 30 percent rise over the past five years. What do you plan to do about the rising crime rate?

Answer:

The FBI Uniform Crime Report clearly demonstrates that crime, especially violent crime, is a continuing major problem for all of America. I have discussed this with the Attorney General, and plan to discuss it later this month when I address the Annual Convention of the Chiefs of Police. This is a problem area where Federal, State and local governments must work together to better utilize existing resources and to assure that criminals are brought to justice.

Background:

This FBI release of 1973 crime figures is already 9 months out of date and is dwarfed by the startling 15 percent increase in crime in the first six months of this year. There are no easy answers to combatting crime, but it is clearly the major responsibility of State and local governments. The Law Enforcement Assistance Administration was set up in 1968 to provide Federal aid and has spent over \$3 billion so far. The answer is not more money, but better use of the money already being spent and better utilization of police, courts and corrections to deter criminal conduct.

GCS  
9/11/74

CAMPAIGN REFORMQuestion:

Why do you not support public financing for Federal campaigns?

Answer:

I am adamantly opposed to the use of taxpayer's dollars to pay for political campaigns.

Background:

As Vice President, I worked carefully on the Administration's proposals for comprehensive and realistic reform, which is described in the message of March 8, 1974. Taken together, those proposals would shorten campaigns, reduce their costs, deter unsavory campaign practices, and disclose to the voters an individual candidate's method of financing his campaign.

These proposals would limit the amount any particular individual could give and would greatly reduce the power of special interest groups in elections by prohibiting campaign donations to individual candidates by any organizations other than political parties. I believe that disclosure of financing methods, as well as limits on giving by individuals and groups, is far preferable to diverting Federal tax dollars from other urgent domestic needs to pay for political campaigns. I believe these proposals meet the abuses of past campaigns without all of the disadvantages of Federal financing.

GCS  
9/11/74

LEGAL SERVICESQuestion:

What is the status of legal services under the Ford Administration?

Answer:

This Administration plans to continue to implement the legal services legislation that was recently signed into law. In fact, we are currently in the process of considering appointments to the Legal Services Corporation board so that we can get on with the business of assuring legal assistance for all Americans.

Background:

Compromise legislation establishing a Legal Services Corporation was signed by former President Nixon in late July. Private and nonprofit, the Corporation will provide financial support for legal services in noncriminal matters to persons unable to afford legal assistance. It will be governed by an 11 member Board of Directors appointed by the President, no more than 6 from one party. In addition, the Governor of each State will be requested to appoint a 9 member Advisory Council which would notify the Corporation of any violations of the Legal Services Act.

WELFARE REFORMQuestion:

Will you follow up on President Nixon's plan to propose welfare reform? And would your proposal be in the form of a negative income tax?

Answer:

As you know, Secretary Weinberger has been conducting a thorough study of our welfare system, and I expect him to have his recommendations to me in the near future. Until I receive this report, I would like to leave my options open. But I can tell you one thing for sure: Any welfare reform proposal I decide to make will be a strong one that can pass the Congress. We will be consulting with them every step of the way so that if a proposal does go up to them we can have swift action.

HEALTH INSURANCEQuestion:

There has been a lot of talk about compromise concerning the various health insurance proposals. Would you be willing to accept a version of the Mills-Kennedy or Long-Ribicoff bills?

Answer:

First of all, let me say that no one is more interested in working out a compromise on this issue than I am. I recognize that not one of the major proposals is strong enough by itself; a final bill will have to be worked out through compromise. And I think that the talk and interest within the Congress on health insurance shows we can work something out with them. But there is one basic principle upon which we will not compromise: Any health insurance bill I sign must be a true partnership among the private sectors, State and local governments, and the Federal Government. A plan that sets up Federal domination would be unacceptable.

HEALTH INSURANCEQuestion:

Are you continuing to press for a national health insurance bill this year? Some say the issue is just too complicated and that there is a danger in having a bad bill if Congress rushes through it.

Answer:

First, I agree that the issue of national health insurance is complicated but so is the matter of a financially catastrophic illness. Every day we delay in providing needed insurance coverage, more families go hopelessly in debt through health care costs. They are the people that suffer if we put this matter off any longer. Second, this isn't an issue that suddenly developed from nowhere. National health insurance has been considered for years and the Congress has been studying the issue in great detail for the last year.

HEALTH INSURANCEQuestion:

Does the Administration still expect some form of health insurance legislation to be passed by the Congress this year?

Answer:

Yes, we are still very optimistic about getting a bill down here before the end of 1974. As you know, Secretary Weinberger and others in the Administration will continue to work with Chairman Mills and Senator Long to reach agreement on an acceptable plan. I think if the Congress continues to concentrate on the issue as it has in the last few weeks they can get a bill to me this year.

ABORTIONQuestion:

What will the Administration do about the Supreme Court's 1973 ruling in favor of abortion?

Answer:

As you know the Supreme Court in 1973 ruled that State laws against abortion were unconstitutional. Because of that decision there is, at this time, no proper action for the Federal Government to take on this issue. But what I do favor is a Constitutional amendment that would allow each State to make its own laws concerning abortion. I feel that this is a matter better decided at the State level, not in Washington.

Background:

As Minority Leader, the President co-sponsored a constitutional amendment which would permit the States to enact abortion legislation. He also opposed in 1972 a Michigan referendum that would have permitted abortion on demand in that State.

COMMUNITY ACTION PROGRAMSQuestion:

Congress considered legislation earlier this summer to retain the Community Action program of OEO but never took final action because of threats of a Presidential veto. If they should reconsider that bill now, would you veto it? And if so, why, when so many of these programs have been a success?

Answer:

While I'd carefully consider any proposal the Congress might make, there is a good chance I'd remain opposed to legislation continuing Community Action with Federal funds. Don't get me wrong--I agree that Community Action has produced some very fine programs. We had a good one in Grand Rapids. The basic point, however, is that Community Action programs, by their very nature, are best run at the State and local level. That is where the responsibilities and decisions--and the money--must come from to best serve the needs of each community. The role of the Federal Government was to get these programs started and then turn them over to the local people. And after more than eight years of Federal domination, it is time that was done.

OEOQuestion:

Is there any chance that you would agree to attempts to retain OEO as a separate, independent agency?

Answer:

The answer to that question must be no. OEO's purpose has consistently been as an agency of innovation and development regarding antipoverty programs. As programs devised in OEO proved themselves, they were spun off into the agencies or levels of government that were best equipped to maintain them. Head Start went to HEW, for instance, while Community Action is more properly a State and local program. In fact, now that Legal Services Corporation will finally be a reality, the only major program remaining in OEO is Community Action. So you see, once Community Action is turned over to local responsibility, there is no reason to continue OEO.

CONSUMER PROTECTIONQuestion:

Legislation to create a consumer protection agency is currently being debated by the Senate. The Nixon Administration was on record as being opposed to that bill. What will be the attitude of your Administration?

Answer:

While I do think there is a need for a consumer advocate within the Executive Branch and even a separate consumer protection agency, I share the concerns of many who feel such legislation must be carefully written. A proper balance must necessarily be maintained between the powers of any such new agency and the duties of existing agencies. Any bill that improperly balances those powers I could not support.

PGN 9/11/74

FOOD PRICESQuestion:

How fast are food prices going to rise, and who's to blame?

Answer:

For all of 1974, we expect food prices in restaurants and grocery stores to be about 15 percent above the 1973 average. That would be about the same as last year's annual increase. Much of the increase over the next several months will be associated with crop-related products, including vegetable oil items, cereal and bakery goods, beverages and sugar, and canned and frozen fruits and vegetables. As for past food cost inflation, let's just say that nearly all sectors of our economy plus foreign oil producers share the blame.

M. Duval (N. R.)  
9/11/74

EXPORT CONTROLS ON COMMODITIESQuestion:

Shouldn't export controls be placed on feed grains and other commodities to give American consumers their proper priority over foreigners during the current world supply shortage?

Answer:

I am reluctant to impose export controls if they can reasonably be avoided because of the disruptive effect on our needed foreign markets. The entire matter, however, is under the closest continuing review and, as I am certain you recognize, there are complicated considerations which have to be taken into account in deciding whether to impose or not impose controls on commodities.

Background:

One of these considerations is the effect which export controls would have on our PL-480 programs. One of the reasons for the proposals for new export control legislation was precisely to permit the continuation of PL-480 program, when it is in the national interest to do so, even during a period of export controls. In no event will we permit exports to cause deprivation among our own citizens.

M. Duval (N. R.)  
9/11/74

SIMON



OFFICE OF THE SECRETARY OF THE TREASURY  
WASHINGTON, D.C. 20220

September 13, 1974

MEMORANDUM

TO: Mr. Jack Hushen

FROM: Carole Foryst *Carole Foryst*  
Staff Assistant to the Secretary

SUBJECT: Briefing Material for the President

We have pulled together these Q's & A's for President Ford to prepare him for his press conference early next week. This material has been reviewed and approved by Deputy Secretary Steve Gardner.

Attachments

QUESTION - WHAT IS YOUR POSITION WITH RESPECT TO VARIOUS CHANGES BEING WRITTEN INTO THE HOUSE WAYS AND MEANS TAX BILL?

- ANSWER -
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. THE COMMITTEE'S VERSION WON'T ACCOMPLISH THAT--BUT IT 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--IT GIVES MORE TO LOWER INCOME PEOPLE THAN HIGHER INCOME PEOPLE.
  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 DOES NOT LOSE 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.

QUESTION - What is your opinion of variable rate mortgages?

ANSWER - Some experimentation with variable rate mortgages is probably desirable, since financial institutions should be given flexibility to determine the market for various kinds of services. The benefits in the present situation, however, would be limited, at best, since S&L's are losing deposits and so have little new money to put into this type of instrument at present.

FURTHER INFO - Two types of variable rate mortgages have been suggested. The one, which has had the more favorable consideration, involves constant monthly payments, with necessary adjustments in the term of the mortgage. The other would have a fixed term with variations in the monthly payment.

S&L's have wanted variable interest rate mortgages as a means to make themselves more competitive in high interest rate periods. They argue that their earnings, which now change only slowly, would be much more responsive to changes in market rates, and that this would allow them to compete better with commercial banks and market instruments.

To the extent this is true, there would likely be some stabilizing effect on the housing industry, as well as on the S&L's, since the flow of funds to S&L's would not be so seriously interrupted by disintermediation in high interest rate periods. On the other hand, with housing less affected by high interest rates, the burden of monetary restraint would be shifted to others. Larger interest rate swings would be required to effect monetary policy goals, and some of these other sectors--such as small business and agriculture--claim special merit.

The cyclical problem, however, needs further analysis. While S&L's might find it easy to make variable rate mortgages in high interest rate periods, because borrowers would expect to benefit from a subsequent decline in interest rates, borrowers would probably prefer fixed rate mortgages in periods of low interest rates. Thus, S&L's might find it difficult to maintain variable rate mortgages in their portfolios in low interest rate periods and would not gain the supposed benefits.

The FHLBB believes it has statutory authority to allow S&L's to offer variable rate mortgages, but has delayed issuing regulations until it has Congressional clearance. Mr. Patman, reflecting the views of organized labor, has taken a strong stand against variable rate mortgages.

QUESTION

- Are you pleased with the progress and content of the Trade Bill?

ANSWER

- It is critically important that the Trade Bill be passed promptly. We need the negotiating authority in the bill to reduce trade barriers reciprocally and build better arrangements for managing international trade relations.

I am therefore`delighted that the Senate Finance Committee's mark-up sessions on the Bill in August made considerable progress. I hope the Committee will quickly wrap-up work on the bill so the Senate can act on it. There is not much time left to pass this much needed legislation.

With respect to the Bill's content, with a few modifications, the Administration supports the House passed Bill. We hope the Senate will agree with the basic thrust of that Bill.

FURTHER  
INFO

- The Senate Finance Committee adjourned mark-up sessions on August 22 for the Labor Day recess. Sessions resumed September 10.

QUESTION: How do you interpret the Saudi intention to ask OPEC to phase out the system of posted prices? What will be the effect on oil prices?

ANSWER: It is apparently the intention of the Saudis to phase out the posted price system and to switch to a single oil price, at the time when they expect to take over full ownership of ARAMCO, possibly over the next six to twelve months.

If the single oil price is established at a level equivalent to the current "blended" price (weighted average cost) now paid by the oil companies, the effect of the change will be minimal on the consuming countries.

But in switching to the single oil price the competitive advantage of the majors vis-a-vis the independents will disappear, because their cheaper equity oil will no longer be available, and they will then pay the same price for oil as the independents.

QUESTION - What are some examples of legislated budget programs that start off costing little and cost far more in later years? What are the reasons this happens?

ANSWER - Total Federal outlays rise in response to a number of general factors such as expansion of the economy, demand for more public services, and inflation. In addition to these general factors, outlays for individual programs respond to changes in priorities, which may also involve liberalization of program eligibility requirements. For example, Federal outlays for grants for water pollution control facilities, which had averaged just under \$100 million annually in the last half of the 1960's, rose to about \$500 million in fiscal year 1971, to \$700 million in fiscal 1973, and the January budget indicates a further rise to \$3,350 million in fiscal 1975, in response to increased concerns for the quality of our environment. This rise was given further impetus by legislation enacted in 1972 which liberalized the Federal share of project costs from an average of about 40 percent to 75 percent of project costs.

Program structure may also contribute to significant increases in Federal outlays. Under several housing assistance programs, for example, the Federal Government enters into long-term contracts to pay part or all of the principal or interest on mortgages to finance new housing units. Because the Government is committed to make these payments over the life of the contract, even if the number of new units financed under the program each year were the same, the Federal outlay would increase in a 100, 200, 300, etc., progression. For example, Federal outlays for housing assistance payments rose generally from about \$235 million in 1965 to about \$400 million in 1969, \$800 million in 1971, \$1,600 million in 1973 and the January budget projects these outlays at \$2,400 in fiscal year 1975.

QUESTION - Wilbur Mills introduced a bill to continue Revenue Sharing funding after the present bill expires. What do you think of his bill and some of its provisions: (1) that local communities would be permitted to draw down a year in advance, 90% of a future year's funds; (2) abolish Revenue Sharing for states in favor of more money for towns and local governments.

ANSWER - It seems to me that encouraging local communities to spend next year's money today could have two serious effects. First, it tends to defeat the basic intent of the program to increase the fiscal stability of local governments and let them plan responsibly for future years financing. Second, it could place tremendous pressure on elected officials at the time of an election to spend the communities' future income for whatever people are demanding. Of course, if those officials are not reelected, then the new officials might well be left without the resources to meet vital community needs.

There is a great deal of evidence that many cities and other local governments have not yet been provided financial resources anywhere equal to the urgent needs of their citizens. Yet, at the same time, our states provide vital services to all people of the nation, both urban and rural areas. Our Federal System requires that every level of government do the best job it can. Our people need strong, effective state government as well as strong, effective local governments.

QUESTION - Do you see a danger in exacerbating inflation in the fact that farmers are holding their wheat crop off the market waiting for higher prices?

ANSWER - Wheat prices declined to \$4.15 in early September but have since recovered to \$4.35 per bushel. Farmers are still not rushing to sell because wheat prices are high compared with most recent years. Aggressive selling is not likely until the world demand picture becomes clearer and prospects for a large crop in 1975 are firm. Although wheat prices may rise further in the first half of 1975, no one is expecting prices to return to the \$5.80 average for February 1974.

QUESTION - What are the current status and overall prospects for the Tokyo Round of multilateral trade negotiations?

ANSWER - Since the negotiations opened at last year's Tokyo ministerial meeting, a great deal of necessary preparatory work has been completed. With this groundwork laid we look forward to beginning the second stage -- actual bargaining on reciprocal trade concessions and cooperation agreements -- this autumn. Prompt enactment of our trade bill will of course be a critical prerequisite.

We believe there are very good prospects in the Tokyo Round, both for expanding trade and for working out better institutional and procedural arrangements for harmonious management of international trade relations. Most governments have now publicly stressed the urgent need to press ahead on the negotiations. Some current problem areas in world agricultural trade and production underscore this need. We have been encouraged, however, by progress made on some important trade disputes in the last several months.

FURTHER  
INFO

- International preparatory work so far has been directed to building up trade statistics, assessing trends and patterns, and reviewing existing trade measures of major governments. Tariff, non-tariff trade barriers, agriculture, and tropical products have been included. More of this work is needed and will be done during the first three weeks of October, closely followed by a key meeting of the Trade Negotiations Committee to begin the bargaining (assuming trade bill enactment).

We have been encouraged on Tokyo Round prospects by such developments as: settlement of the EC enlargement ("24:6") negotiations; EC action to suspend dairy export subsidies; and the OECD and IMF pledges to avoid trade restrictive measures. Nevertheless, some major trade issues still remain in the beef import restrictions of the EC, Japan and Canada. The worsening world grain situation will also call for international cooperative approaches if serious trade issues are to be avoided.

QUESTION - What do you think of the Senate bill which would give the Federal Reserve Board authority to impose rate ceilings on variable-interest securities such as Citicorp issued?

ANSWER - I think that the measure approved by the Senate may buy time for the financial system, but that is all. If the time is not used effectively to enact a broad based financial reform recognizing the legitimate interests of savers as well as borrowers, new ways will soon be found by others to tap the artificially cheap source of funds represented by time and saving deposits.

QUESTION - ARE YOU IN FAVOR OF A TAX CHANGE WHICH WILL INCREASE THE CAPITAL GAINS EXEMPTION? WHAT ARE THE BENEFITS?

ANSWER || YES, I AM IN FAVOR OF SOME ADDITIONAL EXEMPTION FOR ASSETS HELD LONG PERIODS OF TIME.

|| IN A ROUGH WAY, THAT WOULD HELP COMPENSATE FOR THE FACT THAT WHEN THERE HAS BEEN A LOT OF INFLATION OVER A LONG PERIOD OF TIME, A LOT OF THE APPARENT GAIN IS NOT REAL GAIN.

MORE IMPORTANTLY, A LESSER RATE WOULD ENCOURAGE PEOPLE TO "UNLOCK" ASSETS WITH LARGE GAINS AND THUS STIMULATE ECONOMIC ACTIVITY.

QUESTION - You are opposed to wage-price controls yet you have directed a delay in pay increase for federal employees. Do you see a contradiction there?

ANSWER - No, I do not see a contradiction. A delay in the pay increase for Federal employees is a budgetary matter. It defers an expenditure at a time when Federal expenditure growth must be restrained. I think the public has the right to expect this of their Government. Wage and price controls are another matter altogether. We are not going to resort to this.

QUESTION - Secret Service announced they were withdrawing protection from Key Biscayne. Has this been done and why? Compare the level of protection Mr. Nixon received as President to the level he now is receiving.

ANSWER - Some steps have been taken by the Secret Service to reduce costs and otherwise scale down certain aspects of the protective mission at Key Biscayne. The ultimate closedown of all protective functions is, however, still under consideration.

The Treasury Department does not comment publicly on "levels of protection", other than to note that the statutory obligation of the Secret Service to protect Richard Nixon as a former President is being fulfilled in the most efficient manner that the Service is capable of attaining.



QUESTION - What are your views on the Bill, recently passed in the House, which calls for a four-year extension of the Eximbank Act and a \$25 billion authorization?

ANSWER - I welcome the actions of the House and support the extension of the Eximbank's lending authority and the \$5 billion increase in the Bank's funds because I believe that Eximbank has contributed greatly to the increase in U.S. exports.

Eximbank's support continues to be needed in cases where U.S. exporters are in competition with foreign firms which are benefiting from governmental credit assistance.

BACKGROUND - On August 21, by a vote of 330 to 67, the House passed a Bill authorizing a four-year extension of the Eximbank Act and a \$5 billion increase in the Bank's funding. Following a vote in the Senate, which should occur within the next week or two, the Bill will have to go to conference to iron out differences.

QUESTION - There have been sharp fluctuations in the dollar's exchange rate since floating widely became the practice. Shouldn't the United States be intervening in the foreign exchange market to prevent such fluctuations?

ANSWER - It is true that there have at times been sizeable swings in exchange rates over the past year, particularly between the dollar and a few European currencies. It has been a period when economic prospects have been subjected to sharp and unforeseen changes, notably due to the oil situation, and such fluctuations are not surprising. I would note that focus on a few rates may overstate the amount of fluctuation. For the past several months, the dollar has been quite stable on average against the currencies of the U.S.' major trading partners at close to the rate levels prevailing after the February 1973 realignment.

Our position on market intervention has not changed. Well over a year ago we, and others, reserved the right to intervene in consultation with each other at times and in amounts we thought appropriate to avoid disorderly markets. We have intervened at various times since July 1973.

FURTHER  
INFO

- A table presenting trade-weighted exchange rate changes for the dollar is attached.

Trade-Weighted Average Appreciation (+)  
or Depreciation (-) of the U. S. Dollar  
(Percent change relative to base rates as of May 29, 1970)

<u>As of End of Period</u> <u>or Date Indicated:</u>	<u>Vis-A-Vis OECD</u> <u>currencies</u>	<u>Vis-A-Vis</u> <u>world 1/</u>
December 1971	- 8.2	- 5.7
December 1972	- 9.4	- 6.1
January 1973	- 9.8	- 6.1
February 1973	-16.1	-11.4
March 1973	-15.8	-11.2
April 1973	-15.6	-11.1
May 1973	-17.4	-12.5
June 1973	-19.6	-14.2
July 1973 2/	-19.8	-14.5
August 1973	-18.3	-13.2
September 1973	-18.6	-13.7
October 1973	-18.9	-13.7
November 1973	-15.5	-11.1
December 1973	-14.7	-10.5
January 1974	-12.0	- 8.5
February 1974	-15.0	- 9.0
March 1974	-17.3	-10.7
April 1974	-17.7	-11.0
May 1974	-17.4	-10.7
June 1974	-16.5	-10.1
July 1974	-15.2	- 9.0
August 21, 1974	-14.2	- 8.3
August 28, 1974	-13.6	- 7.8
September 4, 1974	-13.6	- 7.8
September 11, 1974	-13.5	- 7.8

Percent Change as of September 11, 1974

Since:

May 29, 1970 (Pre-Canadian Float)	-13.52	-7.76
Smithsonian	- 4.04	+0.60
February 1973 Realignment	+ 2.41	+2.06
March 20, 1973 (Post EC Float)	+ 2.45	+1.62
September 4, 1974	+ 0.10	+0.03

1/ Against the currencies of 48 countries which account for approximately 90% of U.S. total trade.

2/ On July 6, 1973, the dollar reached its lowest level of effective depreciation during the measurement period. Measured against the May 29, 1970 base rates, the effective depreciation was 20.81% vis-a-vis the OECD.

TRADE-WEIGHTED AVERAGE APPRECIATION (+)  
OR DEPRECIATION (-) OF CURRENCY CONCERNED  
VIS-A-VIS OTHER OECD CURRENCIES

(Percent change relative to base rates as of May 29, 1970)

Date*	U.S. Dollar	Canadian Dollar	French Franc	German Mark	Italian Lira	Japanese Yen	U.K. Pound
December 1971	- 8.2	+5.2	-2.2	+ 4.0	- 1.1	+10.6	0
December 1972	- 9.4	+5.7	-1.4	+ 5.1	- 0.4	+14.3	- 9.9
January 1973	- 9.8	+5.1	-0.4	+ 5.4	- 1.5	+14.2	- 9.1
February 1973	-16.1	+3.7	+2.2	+ 8.2	- 7.4	+22.2	-12.4
March 1973	-15.8	+3.3	+3.1	+ 9.7	- 9.5	+24.2	-11.5
April 1973	-15.6	+2.8	+2.7	+10.3	-10.8	+24.5	-10.7
May 1973	-17.4	+2.9	+4.6	+11.8	-13.3	+23.5	-10.6
June 1973	-19.6	+2.1	+5.4	+19.0	-17.4	+22.0	-13.8
July 1973	-19.8	+1.8	+3.2	+21.7	-20.8	+22.7	-18.2
August 1973	-18.3	+1.9	+1.1	+19.4	-13.9	+22.8	-17.1
September 1973	-18.6	+1.8	+1.5	+20.0	-15.0	+21.8	-20.4
October 1973	-18.9	+2.4	+2.5	+18.0	-16.3	+21.1	-19.3
November 1973	-15.5	+3.5	+1.7	+16.8	-16.8	+17.4	-19.1
December 1973	-14.7	+4.2	-0.4	+15.6	-14.8	+18.0	-18.9
January 1974	-12.0	+5.9	-5.9	+17.0	-19.9	+12.1	-18.0
February 1974	-15.0	+7.3	-3.1	+18.0	-21.3	+15.1	-19.1
March 1974	-17.3	+5.8	-5.7	+20.5	-20.1	+19.4	-17.8
April 1974	-18.1	+7.0	-10.1	+23.7	-23.7	+16.5	-17.9
May 1974	-17.4	+7.1	-8.9	+19.9	-24.1	+16.5	-18.3
June 1974	-16.5	+6.3	-6.9	+20.0	-24.2	+15.5	-18.2
July 1974	-15.2	+5.8	-3.4	+17.9	-23.7	+10.6	-18.4
September 11, 1974	-13.5	+5.5	-3.7	+17.3	-24.1	+ 9.7	-19.1

Percent Change as of

Since:

Smithsonian	- 4.0	+0.7	-2.3	+12.6	-23.7	- 2.6	-20.0
February 1973							
Realignments	+ 2.4	+1.8	-5.7	+ 9.0	-16.4	-11.7	- 6.0

\*As of end of period or date indicated.

QUESTION: Is it true that the Administration is considering lifting or removing the price ceiling on domestic crude?

ANSWER: The Cabinet-level Committee on Energy is developing, on an inter-agency basis, the Administration's de-allocation strategy.

The proposal to remove the ceiling price on "old crude" is just one of a number of options that will be brought before the Committee on Energy before a final recommendation is submitted to me.

In my view, there is no question that we cannot isolate energy decision-making from our efforts to reduce inflation or from our national energy goals to reduce demand and increase domestic production. I can assure you that in making a final decision before we go to the Congress, I will do just that. At the same time, I think it is important to keep in mind that as the supply situation improves -- as it has in nearly every fuel area -- we should move towards restoring the dynamics of a free market.



QUESTION: Congressman John Dent (D-Pa.) claims foreigners are buying coal and other minerals in dangerous quantities. Is this true?

ANSWER: In recent years we have exported about 9 to 12% of our domestic coal production and we expect this year's exports to be in that range. Three-fourths of the coal exported is used for metallurgical purposes and could not be used for fuel domestically without extensive conversion of existing facilities. These exports generate significant amounts of foreign currency which in turn permits us to import critical commodities, such as petroleum and other minerals.

To date foreign investments in U.S. coal and mineral properties have not been significant in terms of the size of the U.S. economy. However, we are aware of the problem which concerns the Congressman and attempting to develop more precise information about such foreign investments.

ADDITIONAL  
INFORMATION:

Congressman Dent raised this issue in a floor debate August. He felt the 2 1/2 year duration proposed for the joint Treasury/Commerce study of Foreign Direct Investment was too long in view of reports that large numbers of foreigners were considering purchase of Pennsylvania coal lands. Consequently, the time limit on the Study was reduced to 1 1/2 years.

In addition Section 26 of the Act establishing the FEA requires that the FEA prepare a "comprehensive review" of foreign ownership and control of U.S. energy resources. That report is due December 27, 1974.

QUESTION - The EEC on July 13 suspended its subsidies on cheese, thereby removing the reason for the U.S. imposing countervailing duties on their dairy products. On that basis the Federal District Court granted a 120 day stay on duties which are due to expire November 19. If the EEC now continues its suspension of subsidies, will that preclude the imposition of countervailing duties?

ANSWER - We hope that the current suspension of EEC export payments on dairy products will continue indefinitely. If no payments are being made then presumably there is no basis for imposition of additional duties under the countervailing duty law. Should such payments recommence, the Treasury Department will immediately put into operation the appropriate procedures.

QUESTION - Do you favor the creation of a world food authority?

ANSWER - In general, I am very wary of creating new international organizations, particularly where existing institutions can do the job. Nevertheless, we are examining the pros and cons and will have a decision on this question by the time of the World Food Conference in November.

FURTHER INTO - The creation of a World Food Authority has been proposed by the Secretary General of the World Food Conference, Mr. Sayed Marei of Egypt. The World Food Authority would constitute a new international organization which would oversee three operations:

1. An Agricultural Development Fund--Marei hopes to get the Oil Exporters to contribute \$500 million annually with the DC's also contributing \$500 million. (We do not see the need for, or the desirability of, creating such a fund. The World Bank and the Regional banks are operating in this area and would welcome any funds which the oil exporters are prepared to make available.)
2. A Standing Committee on Food Reserves--this committee would manage and monitor the proposed agreement on grain stocks. (We have not yet reached a decision on which of the existing organizations should administer a food reserves agreement.)
3. A Standing Committee on Food Aid--this committee would plan and coordinate food aid. (While coordination is desirable, we do not need a new international organization to perform this function.)

QUESTION - What are the areas of consumer consumption where the government could discourage spending? What kinds of mechanisms could be used to discourage consumption?

ANSWER - Consumption is already being discouraged by double-digit inflation which chews up the family budget. If there is a case for any further curbs on consumer spending, I am sure it will emerge in the course of the meetings leading up to the September 27 and 28 Conference on Inflation.

QUESTION - German Finance Minister Hans Apel has proposed insuring German Bank deposits up to the Mark equivalent of \$191,000 each. What do you think of this idea? Is there any thought being given to making a similar proposal in the U.S.?

ANSWER - The present U.S. deposit insurance limit is \$20,000, and a proposal is before the Congress at this time to raise that figure into the \$25,000-to-\$50,000 range. The Administration supports only the increase required to keep up with inflation, which might make that figure \$25,000 or \$30,000. Raising deposit insurance to much higher numbers would greatly reduce the incentives for bank officers and directors to exercise due diligence with respect to their institutions, since a much larger proportion of deposit money than previously would get placed in banks indiscriminately based on the government guarantee rather than on individual bank quality. The government ultimately would also have such a financial interest in the system that it would be easy for a nationalization movement to occur against banking, and the direct government allocation of bank credit would be one of the worst things that could happen to any economy, in my view.

It is not appropriate for me to comment on what West Germany thinks is a suitable banking system or deposit insurance figure for its people. We do continue, naturally, to desire that there be substantial government cooperation between our two countries to prevent any unnecessary individual or aggregate banking crises generated by liquidity conditions or any other cause, and we have every confidence that not only West Germany but all other major industrial nations share that view and commitment with us.

QUESTION: A number of German, English and American banks are experiencing difficulties which are causing much concern about the viability of the whole banking system. What is being done to prevent failure of the world banking and financial system?

ANSWER: The banking system as a whole is sound, and is not in danger because of recent individual bank failures.

The health of the banking system depends upon two fundamental factors: access to liquidity, and the quality of the assets held. All modern central banking systems can provide infinite liquidity when called for, thus they can prevent any repeat of the financial panics of the era before central banking. Asset quality depends on the strength of the economy which is still enormously productive and quite capable of supporting the existing bank and non-bank financial claims on economic resources.

The government, through its bank regulatory agencies is intensifying its effort to detect and correct individual bank problems in the earliest stages of development long before they can become potential failure situations. For example, the Comptroller of the Currency is presently having a major study conducted to shape an advance bank regulation program for the next decade which will include intensive computer usage to detect and help deal with insipient bank problems.

FURTHER  
INFO

- There have been a few well published individual bank failures and problems in recent months many of them being small private "fringe" banks in Germany and England which received a great deal more publicity than their size or failure causes merited. They either speculated in foreign exchange excessively or were locked in illiquid real estate portfolios when their short term funds disappeared. There have been some large foreign exchange losses by major banks such as Franklin, Herstatt and Lloyds, but both the voluntary restraints actions of banks and increased scrutiny from regulators have substantially reduced though not eliminated the risk of another major individual problem in this area.

QUESTION - What is the total dollar drain from the U.S. stemming from oil imports thus far? Where are the OPEC countries holding those dollars?

ANSWER - U.S. imports of petroleum and petroleum products came to just under \$14 1/2 billion in the first 7 months of 1974.

Oil exporting countries obtain the bulk of their income from payments by the producing companies made in dollars -- although a significant percentage is paid in pounds sterling -- regardless of where the oil is going to be shipped. In any event the currency of payment is really unimportant. What is of greater significance is what the OPEC governments do with their receipts and very little information is made public. Perhaps 30% to 40% of the receipts are being used to pay for imports of goods and services. Apparently OPEC governments have made a number of loans to foreign governments and governmental agencies. They have probably used relatively small amounts to purchase corporate securities and real estate in various parts of the world. They may have bought some government securities. Obviously a substantial amount is being held on deposit in banks in the U.S. and elsewhere -- some in long-term deposits. Reports from U.S. banks suggest that the amount deposited with banks in this country in the first half of 1974 was something under \$4 billion.

QUESTION - Do you agree with Chancellor Schmidt that there should be some international agreement to supervise the Eurocurrency market? What suggestions do you have?

ANSWER - I agree we should be watching developments in the Eurocurrency market carefully. This subject was discussed both in the meetings in Europe the Secretary of Treasury attended September 7-8 and in the meeting of central bank governors in Basel on September 9. I was pleased with the outcome of those discussions, from which it seemed clear that:

- A number of countries have recently improved their own supervision and regulation.
- The exchange of information on market activities will be improved.
- Regulations on foreign exchange positions will be tightened where appropriate.
- Means for providing temporary liquidity exist and will be used as necessary.

FURTHER INFO - A copy of the Basel communique is attached.

## Basel Statement

At their regular meeting in Basel on 9th September, the central bank governors from the countries of the group of 10 and Switzerland discussed the working of the international banking system. They took stock of the existing mechanisms for supervision and regulation and noted recent improvements made in these fields in a number of major countries.

They agreed to intensify the exchange of information between central banks on the activities of banks operating in international markets and, where appropriate, to tighten further the regulations governing foreign-exchange positions.

The governors also had an exchange of views on the problem of the lender of last resort in the Euromarkets. They recognized that it would not be practical to lay down in advance detailed rules and procedures for the provision of temporary liquidity. But they were satisfied that means are available for that purpose and will be used if and when necessary.

QUESTION - Are you going to recommend that Congress be asked to delay the December 31 date when Americans can buy gold?

ANSWER - On August 14 legislation was approved which requires an end to restrictions on the private ownership of gold on next December 31 or such earlier date that we determine would not adversely affect our international monetary position. Careful preparations are being made within the Government to assure that this change can be made without disruptive effect on either the domestic or the world economies. At this time I see no need for an extension of the present terminal date. If there is an unforeseen change in the situation I would, of course, not hesitate to recommend appropriate Congressional action.

QUESTION - The recent Canada-U.S. agreement for certifying that Canadian imports of beef and cattle from the U.S. are free of DES (Diethylstilbestral, a growth hormone) will not increase our exports to Canada since the Canadians have imposed a severely restrictive quotas on these exports. Should we take retaliatory action against these new Canadian restrictions?

ANSWER - We are pleased with the Canadian Government's announcement of the recent agreement for certifying our beef and cattle exports and look forward to the reopening of the Canadian market to these exports, but we look with concern upon any action -- as the recently imposed Canadian import quotas on cattle and beef -- that would again severely limit the Canadian market to our exports. We have told the Canadians of our strong concern over the import quota action and hope we can reach an agreement that will prevent injury to American exports.

FURTHER INFO - On August 2, 1974, the Canadian Government made two announcements: (1) the certification agreement and (2) quotas to go into effect on August 12. Canadian imposition of import quotas on beef and cattle implies that Canada was using continuation of DES ban as an excuse for protectionist action. The Canadian Government has offered to discuss these quotas with us. We have accepted their offer and suggested that the discussion take place early next week.

QUESTION: Congressman John Dent (D-Pa.) claims foreigners are buying coal and other minerals in dangerous quantities. Is this true?

ANSWER: In recent years we have exported about 9 to 12% of our domestic coal production and we expect this year's exports to be in that range. Three-fourths of the coal exported is used for metallurgical purposes and could not be used for fuel domestically without extensive conversion of existing facilities. These exports generate significant amounts of foreign currency which in turn permits us to import critical commodities, such as petroleum and other minerals.

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INFORMATION:

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ANSWER - We hope that the current suspension of EEC export payments on dairy products will continue indefinitely. If no payments are being made then presumably there is no basis for imposition of additional duties under the countervailing duty law. Should such payments recommence, the Treasury Department will immediately put into operation the appropriate procedures.

QUESTION - Michigan State economist Robert Rasche says his studies suggest that the government and its off-budget agencies will have to finance about \$24.5 billion in new debt in the current fiscal year. Do Treasury economists agree?

ANSWER - The magnitude of Mr. Rasche's figures indicates that he has included the borrowings of Government-sponsored agencies along with Treasury and federally assisted borrowings from the public. The Government-sponsored agencies include the Federal National Mortgage Association, the Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, along with the Farm Credit System. In recent months, heavy demands have been made on these agencies to maintain the flow of funds into the housing and agricultural sectors of the economy.

As Secretary Simon testified before the Senate Budget Committee on August 15, the Federal Government has a greater impact on the financial markets than is indicated by the deficit in the unified budget. The figures he discussed during his testimony, again, excluding the Government-sponsored agencies, were a deficit of \$11.4 billion for the unified budget and net borrowings for additional federal credit programs of \$14.9 billion for fiscal year 1975 for a total of \$26.3 billion.

I intend to hold Federal expenditures in the current fiscal year to less than \$300 billion which would entail a reduction in Federal expenditures of \$5.5 billion. Accordingly, the fiscal year 1975 unified budget deficit and Treasury demands on financial markets should be significantly less.

QUESTION: There have been reports that the Committee on Energy is going to recommend that you move to decontrol "old" oil. Isn't this a contradictory action on your part in view of current efforts to fight inflation?

ANSWER: There has been a lot of confusion on this point. The Committee on Energy is actually now considering and obtaining congressional reaction on a specific program. While some have agreed that this program could have a small short term inflationary effect, in the long run it would clearly be deflationary. The approach which the Committee has decided to explore in depth is this:

1. Equalize crude prices, by decontrolling so-called "old" crude at one time or by adopting a phased decontrol schedule over a period of about four months.

2. Enact an acceptable windfall profits tax, which would absorb that portion of the sudden profits created by such deregulation which is not immediately reinvested in increased energy producing efforts.

3. Protect the market shares of the independent segment of the industry, by requiring refiners to sell the same percentage of product they sold in the 1972 base period to such independent marketers, by class (i.e., independent branded and independent non-branded marketers.)

All members of the Committee agree that such decontrol would be the most direct and efficient way to get at the real problem now facing us: the competitive inequality that currently exists between refiners who have access to low priced crude, and those who have to pay the higher world prices. Decontrol would eliminate this "two-tier" system, so that everyone has access to crude at the same price. It will allow us to begin to eliminate virtually all other controls.

- 2 -

Decontrol will decrease demand and encourage conservation, and thus reduce our imports and dependence on foreign oil. It will be an immediate incentive to increase secondary recovery and other domestic production efforts, and will increase domestic supplies more quickly than any alternative mechanisms in consideration.

The Administration strongly prefers the direct elimination of price controls, to accomplish a return to the traditional market system.

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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: