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THE WHITE HOUSE

PRESS CONFERENCE
OF

REUBIN ASKEW
GOVERNOR OF THE STATE OF FLORIDA
WILLIAM L. WALLER
GOVERNOR OF THE STATE OF MISSISSIPPI
JAMES E. HOLSHOUSER, JR.
GOVERNOR OF THE STATE OF NORTH CAROLINA
GEORGE C. WALLACE
GOVERNOR OF THE STATE OF ALABAMA
AND
RON NESSEN
PRESS SECRETARY TO THE PRESIDENT

LANCASTER ROOM
HYATT REGENCY HOTEL

11:25 P.M. EST

MR. NESSEN: We have Governor Askew of Florida, and Governor Holshouser of North Carolina, and Governor Waller of Mississippi, and Governor Wallace.

Governor Askew has a plane to catch, and he is already late for it. He needs to go in about five minutes, and I think the others can spend more time and I can give you some information from my notes.

GOVERNOR ASKEW: I wanted to share with you that I thought this was a very productive meeting with the President. It is the first time that I really had an opportunity in an informal setting to try to have an exchange about the problems of the State with the Federal Government, and in particular, talk about some of the problems facing the Nation both in the field of energy as well as economics.

I am very pleased to have had this opportunity. I found that the President was receptive, certainly, to suggestion. I particularly feel that it is important as an economic stimulus to the States to reduce or to release this year's impounded fund, and in the interstate system, which I think would be an immediate stimulus to the economy of each one of the States.

Q How much is that?

GOVERNOR ASKEW: Totally, \$1.2 billion. In Florida you would be talking about this year \$43 million, a way of putting money immediately back into the economy and into the private enterprise system that in turn would produce jobs as well as some taxes in turn.

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Q Governor, is there any concern that this type of spending would not be consistent with energy conservation; asphalt, encouraging driving, et cetera?

GOVERNOR ASKEW: I don't think so. I think when you recognize that by just increasing gasoline a lot of the States have suffered a loss in volume in revenue, and this would be a way of trying to hold together a lot of the construction firms where the bidding at this point is fairly low.

I think it would be a good way to stimulate the economy to do something that you are otherwise determined by law to do anyway in terms of completion of the system.

Q Governor, what was the President's reaction to this suggestion?

GOVERNOR ASKEW: Let me say I do not think the President, nor could a Governor, immediately give you an exact answer, but I certainly do believe he will take it seriously. Jim Lynn was there, the new OMB Director, and I think it will be very carefully considered.

Q Governor Askew, what do you think of the President's energy proposal?

GOVERNOR ASKEW: I think that the program he has proposed is a very viable alternative to try to meet the energy problems of the Nation. I personally am still waiting some for the specifics on it, but I think it is important that it be given a very fair chance.

I think that it would be wrong to precipitously try to judge it before such time as you received or understood fully the impact of some of the options you are going to have to try to go with.

I think we have to understand first that almost any program that could be introduced is going to require sacrifice, and I think once we understand -- and I think we have to understand some of the other programs that may be suggested as an alternative to the President's program might be a great deal more undesirable than that which has been recommended.

Q What about the idea of gas rationing?

GOVERNOR ASKEW: I personally would not want gasoline rationing except as an absolute last resort.

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Q Can you tell us whether there was some sort of consensus among the Governors on beefing up the President's plan?

GOVERNOR ASKEW: No, there was not, and the President in no way really tried to elicit such a response. Of course, the other Governors can speak for themselves, but I frankly thought that it was a very free discussion, and in no way was there really an attempt to say, won't you help us sell our program.

Obviously, the President is interested in getting as much support as he can for his program, and the enactment of a program through the Congress. but I felt that in no way pushed into any type of support. That is why I think that the meeting this evening was very good.

You know, a Governor being a Chief Executive has something in common with the President, who is also a Chief Executive in terms of understanding the total managerial responsibility of a budget.

I just am very happy that we were given the opportunity because there was no support requested. There was no way I think to use this meeting to simply say won't you help us sell the program. It was more in terms of talking about the underlying problems facing the country and the approach the President was offering.

I frankly appreciate it very much, the opportunity to meet in this type of atmosphere.

Q Governor, would your State be affected at all by the increase in import fees?

GOVERNOR ASKEW: Yes, it would. We would wind up paying \$1.20 a barrel as a finished product in residual, and we depend substantially on foreign imports for the generation of electricity, so we obviously would be affected and we understand that.

But also, the program is intended to try to balance the use of energy not just completely on the automobile since Florida is a State that depends upon tourism as well, so we have to be concerned not only about the reasonableness of utility bills, but we have to be also concerned about the impact of gasoline and the cost of gasoline and availability of gasoline as far as tourism is concerned.

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Q Governor Waller, could we get your assessment of this plan?

GOVERNOR WALLER: I think, ladies and gentlemen, I personally feel the President made a great overture of statesmanship here, and he exhibited a camaraderie with the establishment of State governments here tonight.

I think this is a rather historic meeting in that we were not called upon to agree with the President, but we had a dialogue with the President and we exchanged the State's view with that of the Federal view, and we came to an understanding that the Nation is facing the problem of the century, there is no doubt about that.

May I make this point: The President was emphatic--and I think this bears emphasis -- the President was emphatic that his program to Congress could be amended, could be changed, could be added to, and could be taken away from.

I think the gauntlet has been laid before, Congress now to act, and the States are in trouble on energy, on the economy, the Nation is in trouble, and we stand today, I think, at the crossroads of a very serious crisis that can be solved by teamwork in the Congress with the Executive Branch at the Federal level and with the State government, both State and local governments, so we reached no conclusion but I think we have reached an understanding that by working together we can solve the problem.

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Q Governor Waller, what is your own opinion of the President's proposals on energy and the economy?

GOVERNOR WALLER: Well, I approach it with trepidation in the area that it does not help the working men and women in Mississippi and it penalizes the lower and middle income people tremendously, when you think of gasoline going up 10 to 15 cents per gallon, the home utilities going up 20 percent and the income tax refund and other pass through benefits are not consistent in nature nor size. We would like to know that the Nation's energy policy is more specific, that the opportunity to explore and to find additional sources of energy are acted upon with greater dispatch. We are willing to work not as a person or State that just simply objects to what the President has proposed but try to find a more expedient remedy for the average income people in this Nation.

Q Did you tell the President this?

GOVERNOR WALLER: Yes, sir.

We in the Middle South, I think, have some 80 percent, maybe as high as 90 percent, of the oil and gas reserves which are as yet unexplored. The Outer Continental Shelf offers unknown, unmeasured quantities of oil and gas, and yet, we seem to be sitting on our hands, both on Federal lands that are owned, uplands, and Federally controlled Outer Continental Shelf lands that are not being explored.

We are worried about the lethargy and apathy of the Nation toward an emergency Marshall Plan type of recovery program for energy, but I do want to say this, President Ford is working, and he is attempting to stay in communication with the States and, hopefully, we can share the solution to the problems together, not just simply disagree because I am a Democrat and he is a Republican. I appreciate him coming here tonight, and I appreciate the opportunity to discuss possible solutions.

Q Governor Waller, what specifically did you tell him about his program?

GOVERNOR WALLER: We spoke 100 percent opposed to rationing. We spoke in terms of speeding up the free enterprise system of supply and demand toward the acquisition of new sources of energy. I asked him, personally, to speed up the use of coal as an energy source for generating electricity. And the Middle South area, the offshore lands of Florida, Alabama, Mississippi, Louisiana and Texas are available, and the States will cooperate to explore offshore on the Outer Continental Shelf. And we offered our cooperation in that area in particular.

Q Are all Governors opposed to gas rationing?

GOVERNOR WALLER: I think I would be accurate in saying all -- and I believe there were eight Governors -- are opposed to rationing at the consumer level. I have a document that I delivered to the President, which I suggested the possibility of import quotas cutting down the supply by quotas as opposed to tariff, the tariff being inflationary and other complexities related to the economy and other factors.

Q But, Governor, was there a consensus of the opposition you expressed to the President's plan?

GOVERNOR WALLER: Yes. I am not sure that the President's plan was opposed 100 percent by me or any other Governor. We are willing to work with the President's plan in modifying the plan and adding to and amending the plan that Congress might accept. I think the one thing that I gained from the Conference was, it is up to Congress; that the 296 page proposal by the President allows for amendments and changes that Congress might want to make, but the action has to come now from Congress.

Let's look at it this way: \$1 a barrel in February, \$2 a barrel in March, \$3 per barrel in April is on. If it comes off, Congress has to take it off. I think that is clear from what the President said. He has acted, and any changes in the augmentation of the program has to come from Congress.

Q But do you want Congress to take it off?

GOVERNOR WALLER: I support that to date.

Q What about the other Governors, was there a consensus?

GOVERNOR WALLER: They would have to answer that. I am not sure we had that sounding.

Q Do you really think the President helped himself get any support by coming here and talking?

GOVERNOR WALLER: Yes, sir. I think any time the political leadership elected by the people can establish a dialogue, it is a major step forward.

Seventy-five percent of us were Democrats, and 25 percent of those attending were Republicans. And here is one-half of the 25 percent.

GOVERNOR HOLSHOUSER: Gentlemen, if there are no further questions.--

Q Do you support the President's program, being a Republican?

GOVERNOR HOLSHOUSER: Basically, I do. I think any person would find room for disagreement about details here and there, but I think it is important, not only for the political leadership of this country but for the people of this country, to understand that the free world today-- Western industry, in particular--is looking to the United States as the only hope of leadership in an international energy crisis and economic crisis, and if we fail to respond by drift or inaction, we are not going to meet our challenge of leadership at this particular time in the history of this universe.

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I think we have to recognize that times are not easy; there are going to be some sacrifices for people to make. But I am convinced that the American people are willing to make those sacrifices, and we have certainly done it in our State. Last year, North Carolina had an energy conservation program that conserved 15 percent natural gas, better than 8 percent electricity and so on down the line.

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Q Governor, do you think the people of your State would be ready to accept the President's program?

GOVERNOR HOLSHOUSER: I am sure there will be those who would disagree here and there. I think the thing that people have to understand is that the President's program is exactly that. It is a program. It is not a piecemeal set of ideas thrown together.

What Governor Waller said about that large document that is going to Congress symbolizes the fact that it is a sophisticated intertwined series of recommendations that make a great deal of sense.

Q Governor, could you tell us what you think of the \$52 billion deficit and its impact in regard to inflation?

GOVERNOR HOLSHOUSER: I think this is an area in which all of us have to have some concern because there is no question that a major part in the rise of inflation over the past months has been the rise in interest rates.

Interest rates are starting to come down now. A large Federal deficit will have some impact. I think it is obvious that the most serious challenge right now is the ability of the Congress to resist the temptation to further increase that projected deficit and really put us in the hole where interest rates and the Federal demand on the money market is concerned.

Q Did the President explain to you why his budget calls for 8 percent unemployment this year, 7.9 percent the next year, 7 point something the year after that, and not getting down until under 6 percent in 1980?

GOVERNOR HOLSHOUSER: No, he did not.

Q Governor, did you have any specific recommendations to make to the President of what you would like to see implemented?

GOVERNOR HOLSHOUSER: Of course, one of the things we are especially interested in in North Carolina, because of our unique situation where natural gas is concerned, is having the regulation and allocation of natural gas made a nationwide program, perhaps under the Federal Energy Administration, so that all of our energy resources could be allocated within one agency.

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We face right now a 41 percent shortage in natural gas compared with the national shortage of about 14 percent, and it is causing us very serious problems. It is causing us problems in fertilizer production that are going to have effects nationwide, and we face some real challenges there.

Q Do you favor deregulation of natural gas?

GOVERNOR HOLSHOUSER: Yes, we do.

Q Why do you think the President's poll is so low?

GOVERNOR HOLSHOUSER: I think it is a general malaise right now around the country with the fact that the combination of energy and economics have gotten more difficult.

They are starting to pinch, and it is just a natural tendency to blame it on the guy at the top, no matter how long he has been in and no matter how much of an opportunity he has had to correct it. Frankly, I think you will see some significant improvement as the country moves forward in the months ahead.

Q Governor Wallace, would you tell us what you told the President your concerns were?

GOVERNOR WALLACE: I did like most of the other Governors. Of course, we listened to the President and we discussed his proposal and other proposals that have been suggested by Members of the Congress, but as some of the other Governors have said, he was not trying to put a hard sell, but let me point out that all of us recognize, and so expressed to the President, I believe, that this country and Western civilization today faces probably some of the most serious times in its history.

And even though we must be optimistic and we do have -- as some have said -- resiliencies of the American people that is going to come out of it -- talking about specifics of the program -- but someone must act, the President and the Congress.

I would say this: We have got to forget partisanship because this is a matter that affects all the American people.

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He has a program -- and I do not know that I agree with all the program -- but the point is this: He has offered a program and now it is up to the Congress, to themselves, to either accept the program or come up with an alternative and do it within a reasonable period of time.

I would say, though, that sometimes those in government -- we don't want any overreaction to the point that action further down the line makes us in worse shape than we are at the present time.

I am just like all of those in government. If I knew all the answers to these problems that face us, I would be the head man now. And if any of you knew all the answers, you would be the head man, and I would like for you to be the head man.

I would say this is negative, but for 20 years we have been saying this is coming on. The liberals in this country have said the more money you spend the richer you are going to get. The more money you give away, which brings no productive return, the better you are going to be.

And the fellow out here working for a living every day said, "That is not going to work," and he was right in the final analysis.

The President now is President at a time when it would be difficult for me or you or anyone else to be President. I just want the President to move with some initiative, and if the Congress does not like that initiative, I want them to use their knowledge and expertise to come up with some alternate program that will help us in the shortrun and the longrun.

Now, I think it is great that the President would come here and talk to the Governors of the States. This is sort of history as far as I am concerned. I do not know that on a regional basis it has been done before.

But I do think that all of us know that we are in some perilous times. I don't know what that is saying to you, but you know we have inflation in all the Western world, not only in the United States, but this is the only country in the Western world that really has the ability to offer the leadership to hold things together, and that we must do.

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We must seek out alternates, we must develop other energy sites, and other energy sources, and I might point out that we have many States on certain parts of the ocean front who also objected to the exploration on the Outer Continental Shelf adjacent to their States, but at the same time they want oil, but you just cannot have exploration off of Alabama, Mississippi and Louisiana, and satisfy all the States.

It is going to have to be a realization of everyone that we are going to have to give and take insofar as environmental matters are concerned and otherwise.

Next question.

Q Governor, did you get the impression from President Ford that he would be willing to compromise his program with the Congress?

GOVERNOR WALLACE: When you say compromise his program, I think his opening speech to the Congress was he wanted conciliation and compromise, but he says he has offered a competitive program that is not disjointed and thrown together and, of course, there always is room and will be under our system for compromise and change.

I would like to point out that the Democrats, of which I belong to that party, are in a majority in the Congress. We have some very liberal Democrats now who are elected, and I want to point out what one Governor said, of one of the largest States in the Union: "They have been given a chance, not a mandate, and they have been given a chance to help, and if they think that that was a mandate to liberalize, to the extent of what I have been talking about a moment ago, I am sure they are going to find out in the next election they are mistaken."

I am sure the President would have to compromise if the Congress did not accept his package, and I do not know whether I agree with all the package or not. I have not given it as thorough a study as I will in the future, but the President certainly is reasonable.

I want to say that even though I might not agree with all of it, I will say he is trying to exert some leadership and that is what we need, whether it be Republican or Democrat.

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Q Governor, do you agree with the President's approach toward saving, conserving fuel by raising the prices?

GOVERNOR WALLACE: I do not know whether I agree with it or not. I am worried about the rising of prices of fuel and its ultimate impact upon the great middle class in this country. I think the President himself is concerned about the fact that any sort of program calling for any sort of sacrifice has to be made, but the point is, something other than overreaction must take place.

We are all going to have to sacrifice, but we want to see -- what I think the President can do and the Governors can do -- is to try to build up hope in the American people that we are eventually going to come out of it. I think many of them are losing hope at the present time, and that in itself is not good.

Q Governor, you spoke of being the head man. Would you like to be the head man?

GOVERNOR WALLACE: I did not come over here running for the head man tonight.

Q Tomorrow?

GOVERNOR WALLACE: Let me say this: I do not know whether I am going to be the head man or want to be the head man, but I would make a better head man than some of them that I have heard want to be the head man. That is about all I can say.

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Q Anyone in particular?

GOVERNOR WALLACE: No, several in particular.

Q Governor, do you feel the Congress is not exerting leadership right now?

GOVERNOR WALLACE: I think there is too much fragmentation in Congress right now. They spend about half their time on rules' changes while people are suffering inflation.

Now, rule changes are all right, but I think what the American people want -- they don't care who is the head of this committee or that committee -- what they want is some action that is going to help them meet the economic problems they now face. So, I think Congress is going to have to get down to work, and I think the onus is going to be also on the Democratic Party and the Democrats in the Congress since they have such a large majority. I think they almost overdid themselves in the last election.

Q Governor, do you agree with the President's proposal to save \$17 billion by slowing down Social Security benefits, increasing cost of food stamps, cutting back public welfare programs and so on?

GOVERNOR WALLACE: I did not get his question.

Q I am sorry. I asked whether you agreed with the President's proposal to save \$17 billion by slowing down Social Security benefits, increasing the cost of food stamps and cutting back on public welfare and so on.

GOVERNOR WALLACE: I don't want to see anyone who needs welfare to be hurt by any program. Let me point out about food stamps for instance.

You know I was a student in college, but we have a program, where, for instance, if a student's income is of such level he can qualify for food stamps, whether his family can or not. And I think maybe we are going a little bit too far on some of the programs when someone comes from an affluent family, able to send their child to college and he winds up on a food stamp program.

I think the whole welfare program needs some review, because there are thousands and thousands of people on welfare that, if they would allow some review of it, you would find should not be on it and that in turn, would help those who actually need to be on welfare. I don't want to see anybody cut on welfare that needs to be on welfare, but I believe there are many people on welfare that ought not to be, which many studies have shown.

No, I don't want to hurt anybody who needs help, because I know from actual experience what it costs people who are in centers like I have been and so forth. I am not going to prolong that. I am not enlightening you much because there is really not much to say.

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Q Governor, did the President help himself in any way that is going to be reflected in pressure going back to Washington on the Congress? What has he really accomplished being here today?

GOVERNOR WALLACE: I think the President helps himself in going around to different sections of the country, yes. I think, in talking to the Governors of States -- because Governors of States are affected by many programs, highway programs and other programs, and I think that when he has dialogue with the Governors of the States on a regional basis -- that it is helpful to the President and helpful to us and, in turn, helpful to the people.

Q But do you think any of you who met with him tonight are going to be calling your Congressmen tomorrow to support his program?

GOVERNOR WALLACE: I could not say about that. I would say this, though, that when you listen to the President, you certainly come away with a feeling -- a man who is in the most powerful position in the world -- of the urgency of the situation. I felt it was urgent and knew it was urgent, but I think it is more urgent now than, probably, I might have understood, had I not been with the President.

Q Governor, would it be correct to say you gentlemen applaud his strategy of trying to jolt Congress into action, but you have reservations about the contents of the program?

GOVERNOR WALLACE: Well, the program is so comprehensive and complex I do not know whether I am for all the program or not, but the point is, those in government at the Federal level must take some action. And it is not the President necessarily that wants the Congress to act; it is the people themselves. I do not think they want them to overreact, but I think they want them to act.

Q Governor, last fall, the President put forth a program which included a call for a 5 percent surtax, and he called on Congress to act swiftly. Do you think that was a good idea?

GOVERNOR WALLACE: They acted swiftly, I think, as I recall. I mean, they acted swiftly in the sense that they let him know they were going to reject it, and that is swift action. If they are going to reject this program, then they ought to come forward with one -- I have heard many folks say, "We need this, maybe this sort of program, maybe this sort, in the Congress."

If they are going to reject the program, they ought to come forward with one.

Q Would it be fair to say that you, in your discussions with the President, discussed generalities but did not bring up any specific proposals to him?

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GOVERNOR WALLACE: I spoke, like most of us did, in generalities of course, but I do say that the time has come -- and I did say this to the President, and I am sure he realized it -- it is time for strong action in the sense of whatever program you are pushing, push it, and if it is not accepted by the Congress, let them come up with their own program.

Q To follow that up, there may be a number of Members in Congress looking to you personally as to leadership as to what you would recommend. Will you be making any specific, concrete proposals?

GOVERNOR WALLACE: Did I make any specific, concrete proposals?

Q Will you be?

GOVERNOR WALLACE: You may not call this concrete, but I would say that the proposal that we talked about, several Governors, was that we must go ahead and develop alternate sources of energy and we must also tap the energy that is available on the Outer Continental Shelf because we cannot continue to pay \$25 to \$30 billion for foreign oil. We also suggested that we have billions of tons of coal in this country and that has to be used. We have it in Alabama.

Q Governor Wallace, is it possible that next year you and Governor Carter may be in a primary in a Southern State together? Do you think he would take any votes away from you?

GOVERNOR WALLACE: Listen, we were here with the President, you know, meeting, and I do not know whether I am going to be running or not. All the folks that are running are fine, high-type people. That is about all I have to say.

Q When do you think you will make up your mind?

GOVERNOR WALLACE: I will make it up a little later on. I have things to do in Alabama, and I am going to get to that later. But let's don't talk about the Presidential campaign. We are facing something more important than that at the present time.

Q Thank you, Governor.

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MR. NESSEN: I can maybe fill in one or two blank spots for you, if you care to.

Let me just say overall that you notice every time we go out of town we have a midnight briefing. Let me just say this generally, and then I am going to go through very quickly because I think you have heard about everything that went on at the meeting.

Let me say this: There was surprisingly little disagreement expressed over the President's program, either economic program or energy program. In fact, there was unanimous support of the President's broad goals, although some questions were raised about specific details.

All of the Governors expressed support for independence in oil as the key to survival of the free world. There was also unanimous support for the anti-recession tax cut, also for holding the budget at no more than the level the President recommended, and also for not cutting any more deeply into the defense spending.

To run very quickly through the evening: as I told some of you earlier, the meeting began in the suite, where there was a brief discussion initiated by Governor Askew of releasing the highway funds that have been impounded and the President said, "We will give that a real hard look."

Then the Governors and the President and the others came down to dinner here next door. The menu was lobster for an appetizer and roast beef.

Cap Weinberger had to leave early, so he gave his presentation first. It was a technical discussion of changes in the matching fund formula. There were some questions and answers about the technical matters involved in that.

Then the President said if Congress does not go along with the \$17 billion in reductions he has proposed, the deficit will go to \$69 billion instead of \$52 billion.

Then there was discussion of food stamps, and Governor James Edwards said he had recently visited a college where he saw two cases of beer in a student's room which they had bought with food stamps.

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Cap Weinberger said the food stamp program had gone from \$65 million to \$6 billion. He said it was an absolutely perpendicular rise in this program, and there was no opposition to those views expressed by the Governor.

I am going to skip along here.

Jim Lynn talked about how if the budget deficit does go higher, there will be competition for funds, the government soaking up all the money and interest rates going up. This could cut off the expected increase in the housing construction, and that would hurt the recovery from this recession.

The President followed up by saying the government always comes first when it borrows money and that this would dry up money for housing, private investment, States and local governments trying to borrow.

He said, if my friends on the Hill won't hold down government spending in a wholesome way, money will dry up because the government will have to borrow a lot more money and there won't be enough available for the other people who need to borrow money.

That is a paraphrase, as you may have noticed. I cannot actually read my notes anymore is the problem.

Then he went into a discussion of how people want to allocate credit or ration money, as he put it, and he said, "Who is going to decide how much goes for housing, automobiles, State and local financing. I don't want to be on that board."

Q Who said that?

MR. NESSEN: The President said that. There was a discussion of deregulating natural gas, in which Governor Holshouser at least supported that. There was a discussion of fertilizer shortages and assurances that steps were being taken to allocate fuel so there would not be a great fertilizer shortage.

The President then outlined in some detail his energy program. He said, some people are calling for limits on imports, but that is no good because there would be no incentive for new sources within the United States and the Council of Economic Advisers have told him a limit on imports would have a most adverse effect on the economy.

He said it was considered, but it was rejected because of what the Council of Economic Advisers had said about its effect on the economy.

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Q Are you talking about the import of oil?

MR. NESSEN: Yes, it would have a most adverse effect on the economy and, therefore, it was considered but rejected.

The President then told how much we will be spending for foreign oil by 1977, which is \$32 billion. He said we just cannot afford that. We have got to cut back. He said our domestic production is going down, and we have to convince the oil countries that we mean business.

The President said the tariff is on and it is going to stay on and go up until Congress acts. Then the President outlined his economic program in some detail. He also told about the auto companies agreeing in writing to increase the miles per gallon by 40 percent while the Federal Government increased the clean air standards up to the California level.

There was discussion about greater use of coal, which most of the Governors or all the Governors there agreed with. Then the President talked about the defense budget, and he said that the defense budget that he had recommended was needed for several reasons.

One was to modernize and build new Navy ships. He said, "We have a very serious obsolescence problem." He also said that the B-1 was needed to replace the B-52, which is now getting to be 15 and 20 years old and that by the time the B-1 was in full operation, the B-52s would be nearly 25 years old.

He also said the Trident submarines were needed to replace the old Polaris and some of the Poseidon submarines. He said, "Manpower has been cut to 2.1 million in the military, which is lower than before the Korean War, but salaries in the military have gone up until they now account for 51 or 52 percent of the defense budget."

He also explained that the defense budget has gone down as a percentage of the budget and has also gone down as a percentage of the Gross National Product and has either been flat or gone down in terms of constant dollars, taking into account inflation.

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Then there was a discussion of the environment as it was affected by the energy program, and the President said that Russell Train agrees to everything we proposed. Frank Zarb said the resistance of the environmentalists has been dissipating in the last couple of months.

He said the pendulum is swinging back the other way. He said we can reach our energy goals without violating our environmental goals. And then the President, in answer to the question that Steve asked a couple of times, the President reminded the Governors that they would all be coming to Washington, I think, February 20 for the National Governors Winter Meeting, and that it would be a good time for the Governors to talk to their Congressional delegations and urge their Congressmen to take action on both the economic and the energy programs.

He said, "You people are out on the firing line and you can be helpful in getting Congress to move." And with that, everybody bid each other a fond good night.

I must say the mood of the meeting -- nobody expressed any strong outspoken opposition to the President's program. There was, as I say, agreement with the goals.

Q Ron, why were you surprised by what you said was not disagreement? Why did that come as a surprise?

MR. NESSEN: Because I heard Helen ask the President earlier whether anybody had been in favor of his program.

Q In what context did gas rationing come up? Did the President raise it or did the Governors raise it and also, in that same general framework, was the subject of an excise tax on the gasoline discussed at any point?

MR. NESSEN: No, it was not, and rationing came up in a very minor way. It was simply the Governors saying they did not like it.

Jim tells me that the Governors took a straw vote on rationing before we got here, and so it was them expressing the results of their straw vote.

MORE

Q Which was unanimous against it?

MR. NESSEN: Yes.

Q Was any of the discussion off the record by mutual consent?

MR. NESSEN: No.

Q Ron, any reaction to Ways and Means?

MR. NESSEN: No. I am not even clear on all the details of the Ways and Means vote. I think we have to wait and see precisely what they did before we can react.

Q Have you confirmed any future travel?

MR. NESSEN: No, nothing has been confirmed.

Q How about tomorrow morning? Are you going to give us a review of what happens at the editor's breakfast?

MR. NESSEN: Yes. I will give you a fill-in on what happens at the editor's breakfast.

Q What time?

MR. NESSEN: I don't know what time it is over, but whenever it is over.

Q Here?

MR. NESSEN: The breakfast is over at 9:15, according to this, so let's say here at 9:30.

Q A briefing here at 9:30?

MR. NESSEN: Yes.

THE PRESS: Thank you, Ron.

END (AT 12:12 A.M. EST)