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**THE WHITE HOUSE**

**WASHINGTON**

**THE PRESIDENT'S BRIEFING BOOK**

**(Key Questions)**

**For: June 25, 1975**

<b>TAB A</b>	<b>ECONOMY</b>
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## CONSUMER PRICES

- Q. The consumer price index rose 0.4 percent seasonally adjusted in May, it was reported last week. Are you satisfied that we are making progress in the battle against inflation?
- A. I am pleased with the figure of 0.4 percent increase in the CPI in that it reflects the fact that we seem to be making good progress in reducing the inflationary pressures that plagued our economy last year.

During the first five months of this year consumer prices have risen at a seasonally adjusted annual rate of 6 percent. Although this rate is still high, it is less than one-half the rate of 1974.

It is also useful to note that food prices have risen at an annual rate of only 2 percent so far this year.

While the overall figures are encouraging the inflation problem has not disappeared. As I have indicated on numerous occasions we cannot afford to overlook the uncomfortable fact that we still are experiencing a rate of increase in prices around six percent a year and we cannot yet regard this reduction as being permanent, or as complete as is required by a healthy economy.

June 23, 1975

## UNEMPLOYMENT

- Q. The unemployment rate rose again in May to 9.2 percent. During the past year unemployment has risen by about four million people. How much higher do you expect unemployment to go and how long will it be before the rate begins to decline?
- A. The May employment figures were generally in line with our expectations. Even though total employment rose modestly during May, for the second month in a row, the growth in the labor force was exceptionally large so that unemployment rose further as is typical during periods of bottoming out and the early phases of recovery.

It is still too early to expect a sustained and rapid rise in employment, but we are encouraged that the economy is bottoming out and that employment has not only stopped declining but has increased by 550,000 people during the past two months. (Between last September and February total employment fell by 2.4 million or by an average of 480,000 per month.) As the recovery gets underway and gains momentum during the second half of the year we will begin to see more substantial increases in total employment and the beginning of a reduction in unemployment.

We are sensitive to the difficulties experienced by those who are unemployed and have taken a number of specific measures to ease their plight in addition to the tax cut to provide general stimulus to the economy. Unemployment insurance claims for eligible workers have been increased from a maximum of 39 to 65 weeks. Unemployment insurance has been extended to previously uncovered work groups, and a sizeable number of public service jobs have been created. One of the things we urgently need now is action on my request for over \$400 million for summer youth employment.

June 23, 1975

UNEMPLOYMENT INSURANCE BENEFITS

- Q. The Labor Department says that about 6 million persons are now drawing unemployment insurance benefits each week. With all these people drawing payments, there is considerable concern as to whether the States will have enough money to continue these payments.
- A. There is no question that all workers entitled to unemployment compensation benefits, and eligible for them, must be paid. If a State's reserve funds are depleted, the State automatically borrows money from the Federal unemployment insurance fund. If that fund should ever be exhausted, advances may be made to the fund from the general revenue funds of the Treasury. States have borrowed from the fund and it is now approaching exhaustion. It is imperative that the Congress enact immediately the \$5 billion appropriation which I asked for last February to insure the availability of money for the payment of all eligible claims for unemployment insurance.

June 23, 1975

## HOUSING

Q: Your Administration expects that a recovery in housing will be a key factor in the recovery in the economy during the second half of this year. Yet housing starts are expected to recovery quite slowly this year. Do you still expect housing to recover on schedule or will you be re-examining policies to stimulate housing?

A: Housing starts during May rose by 14 percent to an annual rate of 1.1 million. Moreover, housing permits, which are an indicator of future changes in housebuilding, rose again by 8.6 percent. This evidence indicates that the housing recovery is getting underway. Even more important, of course, the basic factors affecting the housing outlook have improved. Inflows of funds into the savings institutions are at record levels and mortgage rates have declined somewhat.

We are always examining and re-examining our economic policies. In the housing <sup>AREA</sup> especially, however, we are convinced that policies that do not come to grips with the basic problem of inflation and inflation-caused high interest rates are likely to do little more to help housing than policies which shuffle funds around in the money markets without providing any significant overall benefits to housing.

June 23, 1975

## INDUSTRIAL PRODUCTION

Q: Industrial production declined again in May. Does this mean that the decline in the economy is not coming to a halt as your Administration has projected?

A: Although production declined 0.3 percent in May this was not unexpected. The May decline was the same as in April and much smaller than the 1.3 percent drop of March and the average 2.5 to 3.5 percent declines during the November through February months. Even though output is still declining most of the indicators now suggest that the severest production and employment cutbacks are behind us. The evidence continues to confirm an extremely rapid reduction in excess inventories throughout the economy. As the inventory overhang is worked off production and employment will begin to recover.

Production of consumer goods also rose--by about 1.7 percent in May, the second consecutive monthly increase. These are still soft spots in the productive picture but new orders for durable goods rose again in May, the third increase in the past four months, suggesting that the bottom in production is now being reached in a number of these areas also.

June 23, 1975



## INTERNATIONAL COMMODITIES

Q. There have been a number of recent reports indicating disagreements at high levels within your Administration regarding our policy toward the less developed countries and specifically regarding our participation in commodity agreements. Would you please comment on those reports?

A. There are three important issues in responding to your question.

First, it is our belief that the present international economic system has functioned reasonably well. It has facilitated an enormous expansion in trade over the past thirty years -- trade which has benefited all nations. We do not believe that a basic restructuring of the existing system is necessary or desirable. Our support for the basic soundness of the existing system should not be construed to suggest that we consider it perfect. We do recognize that there is dissatisfaction with some aspects of the way the present system functions.

Secondly, because of this dissatisfaction we have agreed to examine the problems of specific commodities on a case by case basis within an international forum with our trading partners. Our objective is to see if there are ways in which the functioning of the system can be improved with benefits to all countries.

Thirdly, I want to point out that too much of the discussion of economic relations between developed countries and less developed countries becomes lost in ideological rhetoric. I am primarily interested in realistically examining the trading problems faced by both developing and industrial countries to see if improvements can be made.

June 23, 1975



## RESOURCE DEVELOPMENT

- Q. How long will our oil resources last, based on new U.S. Geological Survey estimates?
- A. The answer depends on how quickly we can find, and have access to our undiscovered resources. You can understand that 256 billion barrels of undiscovered oil cannot contribute 82 billion barrels of production until it is located and developed. Right now, we don't know where it is, but we do know some likely spots, and should be searching with all deliberate speed off the Atlantic Coast, off the Pacific Coast, and in the Gulf of Alaska.

PRESIDENT'S ENERGY PROGRAM VS. GASOLINE RATIONING

Q. Mr. President, do you believe the American people are coming around to support your energy program-- which calls for higher prices for energy rather than rationing of energy? What do you base your opinion on?

A. We have found that as the American public has been given the opportunity to study our total energy program, they have shown a preference for it over gasoline rationing. The public realizes that gasoline rationing is not a simple nor efficient means of reducing our Nation's energy consumption,

The support of our evidence can be found in public opinion polls. The Harris poll of January 27, 1975, indicated that the American public favored gasoline rationing over oil import tariffs by 60 percent to 25 percent. (The remaining 15 percent were undecided.) A subsequent poll, taken in early March by the Gallup organization, found that the American public favored increased gasoline prices over gasoline rationing by 48 percent to 43 percent. (The remaining 13 percent were either undecided or opposed both plans.)

## RESOURCE DEVELOPMENT

- Q. What will be the effect of the new U.S. Geological Survey resource figures on your energy program?
- A. The new estimates are a cause for national concern, and they underscore the need for our total program.

Our policy was not formulated on the basis of "x" number of barrels of oil as a resource base. It was formulated on the level of exploration and production drillings, enhanced recovery activity and alternate source development that would be necessary to meet our energy needs.

The new recoverable resource estimates can effect the total plan only as they call for an increase in the level of activity that must be maintained by the oil industry to hit a smaller target in terms of undiscovered resources.

The energy production from existing reserves of patroleum and coal, and the expected production from other sources, may come about more rapidly as the urgency of the situation becomes more apparent to our people.



## RESPONSE TO CRITICISM OF THE USE OF THE VETO

Q: Does your use of the veto amount to an attempt at minority rule? (Or any similar challenge to your use of the veto.)

A: Several points about the veto power should be kept in mind.

First, it is a constitutional power of the President, written into the Constitution for a clear purpose and with the expectation that there will be occasions when it ought to be used. We have separation of powers, but the veto power gives the President some role in the legislative process.

Second, it is misleading to speak of using the veto to rule. It is not an absolute veto but a veto that can be overruled by the Congress.

Third, the two main purposes of the veto, in my mind, are to require, first, that there be very thorough reconsideration of a controversial matter when the President and a majority of the Congress disagree; and, second, that there will be no new law unless a two-thirds majority of both Houses, widely representative of the entire nation, supports it.

Finally, I think anyone is on weak ground who objects to the constitutional use of a constitutional power for constitutional purposes. This is not a question of majority or minority rule. It is a matter of constitutional rule, and I suppose it is safe to assume everyone supports the Constitution, in the Congress and throughout the nation.

## Grain Reserves

- Q - Secretary Kissinger has indicated that the U.S. is prepared to hold an important part of world grain reserves. How much is the U.S. willing to hold and how will this reserve be financed? Is the USG going back in the business of grain storage?
- A - The Secretary's statement is an indication of our willingness to begin immediately to negotiate and participate in an international system of nationally held grain reserves which will be designed to assure world food security. Whatever system emerges from the negotiations must leave the U.S. free to determine for itself how it will meet its reserve commitment and insure that other countries will carry their fair share of the burden. The size of the system and the U.S. share, as well as its operating mechanism and how it will be financed, are questions which can be answered only through negotiations with other participants. At this point we must remain flexible on these questions so as to encourage the success of the negotiations.

June 23, 1975



