

The original documents are located in Box 44, folder “8/29/75 - Briefing Book” of the Ron Nessen Papers at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Ron Nessen donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT'S BRIEFING BOOK

(Key Questions)

For: August 29, 1975

TAB A	SPECIALS FOR NEW ENGLAND
TAB B	ENERGY
TAB C	THE ECONOMY
TAB D	GENERAL DOMESTIC
TAB E	INTERNATIONAL

EXCLUSIVE INTERVIEW

- Q. Why have you granted an exclusive interview here in Providence and refused to meet with newsmen from the other stations and newspapers?
- A. Technical details such as that are arranged by the Press Office. My Press Secretary, Ron Nessen, can give you the full details.

Background:

A Providence television station, WJAR-TV, sometime ago invited you to participate in an interview and promised to arrange a 12-station hookup all over New England to carry the interview.

This invitation was accepted with your approval.

When the interview was announced, the other Providence television stations were displeased, and they asked whether they could join the interview.

If they had been allowed to join, WJAR-TV would have dropped the 12-station hookup, and the interview would have been broadcast only in Providence.

Therefore, the other stations were told merely that they would get a chance to interview you the next time you came to Providence. However, the other stations are still displeased, and their reporters will probably try to ask you about this if they get a chance.

You should not get involved, and should refer all questions to Ron Nessen.

GARRITY'S DESEGREGATION ORDER

Q. What does the Boston school desegregation order of Federal District Judge W. Arthur Garrity, Jr., require?

A. There have been several orders entered by Judge Garrity which require desegregation of students and faculty in two phases. Phase I, which involved a limited number of schools, began last fall. Phase II, which involves almost all of the schools in Boston, is scheduled to commence with the opening of schools on September 8, 1975. The Phase II plan provides for assignment of students by geographic zones (The city is divided into eight geographic sub-districts) and, in the case of some students, voluntary assignment to 26 "magnet" schools with special programs designed to attract an integrated student body.

On December 17, 1974 Judge Garrity also entered an order concerning public safety which prohibited gatherings of three or more people near schools and along bus routes, and prohibited entry of unauthorized persons into school buildings. Modification of this order to insure greater safety is now under consideration by the Judge.

DOJ/8-28-75

JUDGE GARRITY'S SCHOOL DESEGREGATION ORDER

- Q. What was the legal basis for Judge Garrity's order?
- A. The desegregation order was based on findings that over the years the Boston School Committee had engaged in discriminatory practices such as racial assignment of faculty, alteration of school attendance zone lines, site selection for new school construction and school additions, establishment of racially dual grade structures, and non-geographic assignment of pupils with the intention and the effect of creating racially segregated schools.

The School Committee's claim that the segregated schools were solely the result of segregated housing patterns was rejected by Judge Garrity. The Judge's findings were affirmed by the First Circuit Court of Appeals in November, 1974. The Supreme Court denied certiorari on May 12, 1975. The Phase II aspect of the student assignment plan is currently under appeal.

FEDERAL GOVERNMENT IN BOSTON

- Q. Who will be in charge of the Federal Government's efforts in Boston?
- A. The Deputy Attorney General, acting for the Attorney General, is in charge of the federal government's response to civil disturbances. Deputy Attorney General Tyler has designated J. Stanley Pottinger, Assistant Attorney General for Civil Rights, as the Senior Civilian Representative of the Attorney General (Scrag) in Boston. Mr. Pottinger will be responsible for general supervision of Justice Department Activities in Boston.

FEDERAL GOVERNMENT'S ROLE IN BOSTON

Q. Was the federal government involved in the case?

A. No agency of the federal government has been a party to the school desegregation case. In 1973, after two years of investigation, the U.S. Department of Health, Education and Welfare made an administrative finding of discrimination in the operation of Boston schools. That finding, in effect, was subsumed by the private party litigation. The federal role in Boston is one of law enforcement and public safety, not the school case itself.

BUSING

- Q. What areas of the city are affected and how much busing will be required?
- A. Most areas of the city will be affected by Phase II, including Charlestown, Brighton and Jamaica Plain which were not significantly affected under Phase I. Only East Boston, a predominantly Italian middle-class white area, geographically separated from the city by Boston Harbor, will remain relatively unaffected. Judge Garrity has estimated that 21,000 of the City's 73,000 pupils will be bused under Phase II, versus 17,000 bused under Phase I. The School Committee's estimates have been considerably higher.

FEDERAL TROOPS IN BOSTON

- Q. Is the President prepared to send federal troops to Boston should the need arise?
- A. Justice Department officials have been in contact with state and local authorities concerning the federal statutes governing use of federal troops. Local and state forces, including National Guardsmen, must be fully committed and unable to maintain order before federal troops can be considered. There is a desire by state and local officials to use existing law enforcement resources so as to make a request for troops unnecessary.

U.S. MARSHALS IN BOSTON

- Q. In October, 1974 the Federal Government refused to honor a request by Boston Mayor Kevin White for U.S. Marshals. Why are Marshals being sent to Boston this year?
- A. The decision to send Marshals was made by Department of Justice officials after a review of the events in Boston last year and because this year's Phase II involves a larger part of the city than did last year's Phase I. Decisions on such questions are within the prerogative of the Attorney General since the U.S. Marshals Service is under his authority. White House approval was not required for such assignment of Marshals.

LAW ENFORCEMENT IN BOSTON

- Q. What are the Federal Government's plans for this fall?
- A. Federal Law enforcement officials consisting of Justice Department attorneys, U.S. Marshals (about 100), FBI agents, and representatives of the Justice Department's Community Relations Service will be present in Boston prior at the opening of schools on September 8, 1975. They will work with local and state authorities to maintain public safety, and will be prepared to prosecute any violations of federal criminal statutes which may occur.

FEDERAL HELP TO CRITICAL INDUSTRIES

- Q. Bearing in mind that New England's regional unemployment is the highest in the country and that some of this is due to high industrial fuel costs, isn't it time the Federal Government did something to help out critical industries?
- A. All industry must learn to use energy more efficiently. As decontrol serves to increase energy costs across the rest of the country, New England industry will find itself increasingly able to compete in the marketplace as so much of their energy is already at the world market price.

We must, nevertheless, encourage regional solutions to regional problems. New England can set a standard for the Nation in energy conservation leadership, and in alternative energy source development. Energy R&D must be vastly accelerated in the coming years, I promise that the Federal Government will do its share and I hope New England will make its contribution to these efforts.

VIEWS ON BUSING

Jim Cavanaugh of the Domestic Council was to discuss with you the proper approach to any new questions on your views of busing children from one school district to another.

A Qand A will be submitted for substitution here after that meeting.

JBS/8-28-75

BOSTON TRANSIT

Q. How does Boston's transit system compare with other U.S. cities?

A. I understand that a New York-based municipal research group recently ranked Boston's transit service the best in the nation. The MTA has worked hard with State and local governments to develop an integrated and balanced transit system with commuter rail trains, heavy rail subway, light rail streetcars, and buses. However, it would be difficult for me to say since we have so many fine systems here in the U.S.

PROTECTION OF COASTAL FISHERIES

Q. Mr. President, many foreign countries, including the Soviet Union, are overfishing in the waters off our coasts. This has depleted our valuable fish resources and caused economic damage to our New England fishing industry. What action is your Administration taking to protect the livelihood of our fishermen?

A. I fully appreciate your concern over foreign fishing off our coasts. Recognizing the seriousness of this problem we have concluded bilateral agreements with a number of fishing nations, including the Soviet Union and Poland and other European countries, which deal with their catches off our coasts. We are also continuing our efforts in regional fisheries organizations to implement conservation and protection measures.

I continue to believe that a comprehensive law of the sea treaty offers the best hope for protecting our valuable marine resources, including fisheries. To protect our fishing industry while the treaty is being negotiated, we will continue to seek interim arrangements with other nations to conserve and protect our coastal fish stocks in appropriate fashion, to ensure effective enforcement and to safeguard the livelihood of our coastal fishermen. Unilateral legislation would be a last resort only in the event our multilateral and bilateral efforts fail. I assure you that this question will continue to receive my personal attention.

B

EQUALIZATION OF COSTS

Q. What are you going to do to equalize New England's energy costs with the rest of the U.S.?

A. I realize that New England is particularly dependent on high cost energy but the decontrol of prices is by far the fairest way to begin equalizing energy costs among all regions of the U.S. In addition, if my veto of the allocation act extension is sustained, the supplemental fees on petroleum imports will be removed, including the \$.60 per barrel on product imports. This will be particularly favorable to your situation here in New England.

There was a time when the Northeast had access to very cheap energy, but that time has passed forever. The sooner we can rely on our own sources of petroleum, the sooner we will be independent of continued and unwarranted price increases by OPEC and the threat of embargoes.

ENERGY ISSUES IN NEW ENGLAND

- There are potentially large deposits of high grade low sulphur anthracite coal located in the Narragansett Basin (900 square miles) in Massachusetts, but extensive core drillings are required to determine the magnitude of the field, the quantity, quality, and economic feasibility of developing the field--estimated cost of these investigations is between \$250,000-400,000, but but no federal or state funds have been made available to date. Neither FEA nor the State of Massachusetts have come up with any money yet--\$50,000 has been funded by the private sector, i.e., the New England Electric Systems, including Montaup Electric, and the New England Gas Association. The National Science Foundation has been approached for \$400,000--no response yet.

Everyone is apparently in favor of the drillings. ABC did a recent small piece on the subject.

- All of New England objects to the sudden potential decontrol of old oil. Governor Grasso of Conn. authored a letter to the President saying that the "free market" price of domestic crude oil would still really be set by OPEC. In the letter she outlined the necessity for safeguards to:
 - 1) limit "extra" profits made by oil companies.
 - 2) prevent any specific oil product from being held off the market.
 - 3) prevent the inequitable distribution of additional cost burdens on any particular region of the country.
- Only two power plants--Shiller (500 megawatts) in Portsmouth New Hampshire--have been given orders to convert to coal. These plants at first agreed to go along with the conversion, but have recently changed their minds because of the prohibitive cost of flue-gas desulphurization.
- Governor Dukakis has in the past urged Congress to act on legislation which would overhaul the leasing procedures for OCS development. He felt that it is intolerable that the United States continues to sell a resource to large oil companies without knowing the value of the resource it is selling. He has recently suggested that the front-end leasing monies paid by the oil companies to the federal government be instead paid into state coffers.

A letter has recently be directed to the Secretary of

the Interior from 5 New England Governors. The New England Regional Commission is conducting a study on the impact of OCS development on the fishing industry--because it will not be complete for several months, they asked for an extension of an August deadline on objections to leasing of Georges Bank.

- Interestingly, the region's fishing industry has adopted an official stance in favor of OCS development because the rigs provide breeding grounds for the fish.
- New England has very adequate supplies of natural gas to supply its strictly residential needs, and also extensive storage facilities. Consequently, any type of natural gas allocation program finds no favor.

The region is anxious that natural gas shortages elsewhere in the nation will place heavier demands on their own supplies of residual fuel oil and middle distillate (upon which industry and utilities are heavily dependent) --a situation which would inevitably drive up prices.

- Nuclear power plants are experiencing great difficulties in carrying out building and planning programs. The state environmental regulations are more stringent than EPA/federal regulations. Plans have recently been completed for a new power plant in Mass., Pilgrim #2 (a cluster plant), but any further progress is frozen. Massachusetts, in particular, wants resolved safety and environmental concerns before generating plants are built; it also wants to expand the state's role in the nuclear regulatory process.

NEW ENGLAND ENERGY SITUATION

- Factors unique to the region include:

1. 81 percent petroleum dependent, vs. 46 percent for total United States
2. reliant on oil for 60 percent of electrical generation, vs. 16 percent for United States
3. household sector consumes 54 percent of fuel vs. 31 percent for the United States

industrial sector uses only 14 percent compared to 39 percent for United States
4. price of fuel to utilities has increased more rapidly in New England than in other regions -- high dependence has caused electricity rates to skyrocket despite increase in nuclear capacity
5. energy prices to the consumer are more than 30 percent higher than the U.S. average -- due primarily to high dependence on oil
6. Region I has over 20,000 firms engaged in some aspect of the petroleum industry

- Petroleum storage is limited -- 25 to 60 days supply of resid during peak consuming periods -- there has been some sentiment for compulsory storage.
- Independent marketers account for over 70 percent of heating oil distribution
- All states have cooperative agreements with FEA which include:

1. Studies on full utilization of existing

measures (wood, coal, coastline, solid waste recovery)

2. Conservation education programs involving state, municipal and individual consumers in energy efficiency through school departments, business seminars, media information
3. Retrotech* programs to increase energy efficiency in public and private buildings

- FEA awards to States under the cooperative agreement:

Massachusetts	-	\$247,200
Rhode Island	-	82,900
Connecticut	-	155,100
New Hampshire	-	75,600
Vermont	-	65,400
Maine	-	84,400

- All six State legislatures are considering:

1. tax incentives for solar energy applications
2. tax incentives for purchases of efficient cars
3. utility rate legislation (life-line concepts)

** retrofit program for low and middle income homes.*

WILL DECONTROL INCREASE PRICES?

- Q. It is true that petroleum produce prices are going to increase dramatically on September 1 when immediate decontrol occurs?
- A. No, I honestly do not believe that will happen. FEA's analysis indicates that immediate decontrol alone will increase product prices by about 6¢ a gallon. To cushion the economic impact of this increase, I will remove all supplemental fees on petroleum imports if my veto of the allocation extension is sustained by the Congress. This would reduce the net impact substantially. I don't believe market conditions will allow much greater increases on a nationwide basis.

FEA/8-28-75

(Summary of attached article)

The public's support for deregulation of all oil produced in the United States has risen to a decisive 54 to 22 per cent majority, a rise from a 46 to 31 per cent plurality in April, according to a Harris Survey conducted in July 1975.

The new support represents a turnaround from the 42 to 28 per cent plurality who opposed deregulation only a year ago. The survey shows an identical 54 to 22 per cent majority also supports complete deregulation of natural gas produced in this country.

Nearly 2 in every 10 people interviewed openly admitted to the Harris Survey that they had changed their minds on the energy decontrol issue. When asked why they had switched their position, three major reasons were cited: 1) will cause more domestic production and eventually bring down prices; 2) will encourage versus discourage further exploration for oil and gas; 3) will reduce U.S. dependence on foreign (Middle East) oil.

The Harris survey also tested the possibilities of a decline in gasoline consumption if the price of gas were to rise by 10 to 50 cents per gallon over current levels. The survey shows that sizeable numbers of Americans believe that they would cut back on the use of their cars if the price of gasoline were to rise further. The higher the rise, the more they would curtail the use of their automobiles.

The biggest cutback would take place when the price of gasoline rose by 10 to 20 cents per gallon over current levels, jumping from 11 to 31 per cent.

Americans now appear to be prepared to allow the price of oil and natural gas to rise by deregulation of domestic production, and they are counting on the price mechanism to curtail consumption sufficiently to cope with the oil shortage.

Results of Harris Surveys:

Question:

Would you favor or oppose deregulation of the price of all oil produced in the United States if this would encourage development of oil production here at home?

	Favor	Opposed	Not Sure
July, 1975	54	22	24
April	46	31	23
July, 1974	28	42	30

Some items in this folder were not digitized because it contains copyrighted materials. Please contact the Gerald R. Ford Presidential Library for access to these materials.

AUG 4

Harris Survey SECTION F PAGE 10

Public makes big shift, supports oil decontrol

By Louis Harris

• "Deregulation will result in more domestic production and eventually bring prices down," said nearly a third

"If the price of gasoline were to go up [read amount] a gallon, would you be likely to use your car as much as you do now, a little less often, a lot less often, or not at all?"

Use car:

	10c	20c	30c	40c	50c
As much as now	54	35	24	22	22
Little less often	34	32	25	15	11
Lot less often	10	28	41	48	46
Not at all	1	3	8	13	17
Not sure	1	2	2	2	4

EFFECT OF OIL PRICE INCREASE

- Q. Will an increase in oil prices have an adverse effect on the economy?
- A. No, not if the Congress enacts a windfall profits tax with consumer rebates as I have requested. Immediate decontrol coupled with removal of the supplemental fees on imports, a windfall profits tax and consumer rebates will have no significant economic impact. This is because petroleum price increases will be moderate and the consumer rebates will assure that there will be no loss of consumer purchasing power.

Let me stress the very significant costs of taking no action. Our vulnerability grows day by day and in addition to paying over \$25 billion annually for foreign oil, another embargo could throw hundreds of thousands out of work. The costs to consumers of decontrol are far smaller than these costs to consumers associated with continued inaction.

NATURAL GAS SHORTAGE

- Q. We've heard that 14 states will have rather severe shortages of natural gas this winter. What are you going to propose to deal with this problem?
- A. As you know, I met with the Governors of the major natural gas producing states last Thursday. We discussed the potential magnitude of the shortage in their states and they gave me their views on how to deal with the problem. I am currently considering both legislative and administrative actions to deal with the shortage. With respect to specific recommendations, I have made no final decisions. I would like to stress the fact that I do not believe allocation can solve our natural gas problems and ultimately, deregulation of natural gas prices is the only way to increase supply and bring the situation back into balance.

PROPANE PROBLEM

- Q. What about the special problem of propane? I understand you will propose specific legislation to deal with propane pricing and allocation. Is that true?
- A. I am concerned, of course, that under a decontrol situation, we may have propane problems due to the natural gas shortage we face this winter. Again, I have not made any final decision on this. I have asked FEA to assess the propane situation and develop actions we should take to protect historical propane users as part of a comprehensive natural gas program for the winter.

RELIEF FOR OIL INDEPENDENTS

- Q. What about special relief for the independent sector; won't they be particularly hard hit during the transition period to a free market?
- A. I am, obviously, very concerned with the health of the independent sector of the petroleum industry and I have asked Frank Zarb to thoroughly assess this situation to see what, if any, form of relief would be appropriate.

I'll be making a decision on this area next week.

C

PROGRESS OF THE RECOVERY

- Q. The rise in industrial production during June and the decline in unemployment has been interpreted by some as indicating the end of the recession. Is that the view of your Administration?
- A. We believe that the economy has turned and that recovery has begun. The rise in industrial production in both June and July tends to confirm that the decline in production and employment has ended. Revisions in the GNP statistics now indicate a slight rise during the second quarter instead of the slight decline which was originally reported. We expect the rise in production and employment to gather strength in the months ahead. Several factors lead us to this conclusion.
1. The massive liquidation of excessive inventories reached its peak in the second quarter and production is now rising in response to improved sales. A recovery in production up to the second quarter level of final sales would mean a five percent rate of growth by the end of the year. New orders for durable goods have continued to rise with an increase of five percent in June and an increase of 17 percent since the low of earlier in the year.
 2. Retail sales have continued to post sharp gains. Real consumer expenditures in the second quarter rose at a 6.2 percent annual rate and retail sales rose strongly in July, by two percent according to present estimates. Since the March/April period personal income has been expanding at a better than ten percent annual rate and this suggests a continuation of the strength in consumer outlays.
 3. The level of unemployment is still very high, but employment has risen by 1.2 million since March although there are some difficulties in interpreting the increase.
 4. Both the unemployment and inflation are too high and our policies must continue to be aimed at both of these problems.
 - a. We may see a temporary rise in unemployment in August but unemployment is then going to be coming down as the economy recovers. We are bound to experience high levels of joblessness for some time yet.

- b. Consumer prices rose by 1.2 percent in June, the second consecutive month of rapid increase, and we anticipate fairly large increases in August and perhaps also September. While we do not expect these rapid increases to continue they do illustrate the seriousness of our underlying inflation problem.

August 28, 1975

UNEMPLOYMENT

Q. The unemployment rate in July declined to 8.4 percent. Does this signify the beginning of the improvement which you forecast?

A. There were several encouraging aspects to the July employment statistics.

- (1) Total employment rose by 630,000. Since the March low, the number of people at work has risen by 1.2 million.
- (2) Both the length of the workweek in manufacturing and the number of hours of overtime rose sharply, and we are very encouraged by those developments because they tend to confirm that the recovery is getting under way.

Although the employment situation is improving, I believe that the July unemployment decline may overstate the real improvement which has taken place so far. Unfortunately, it would not be surprising if there were a slight increase in unemployment reported in August, before the recovery gains enough strength to begin to reduce joblessness.

August 27, 1975

HOUSING

- Q. Your Administration expects that a recovery in housing will be a key factor in the recovery of the economy. Do you still expect housing to recover on schedule or will you be reexamining policies to stimulate housing?
- A. Housing starts rose by 14 percent in July to an annual rate of 1.2 million units, some 20 percent above the lows of earlier in the year. Building permits, which tend to foreshadow future movements in starts, have continued to increase. The evidence suggests that the housing recovery is getting underway and the basic factors affecting the housing outlook have continued to show improvement. Although the inflow of funds into the savings institutions has slowed somewhat, it is still at a high level and mortgage rates, which declined earlier in the year, have not risen very significantly even though many other interest rates have.

We are continuously reexamining our economic policies to be sure that they are suitable. In the housing area 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 will do little to help housing. Unless we continue to hold inflation down, special policies to help housing will do little more than shuffle funds around in the money market without providing any significant overall benefits to housing.

August 27, 1975

TAX CUT EXTENSION

- Q. Chairman Ullman has announced that he believes a portion of the 1975 tax cut should be extended. What are your views?
- A. I would very much like to avoid increasing the tax burden on the American people at the end of this year, but I cannot responsibly make a decision immediately. It is essential to see how much spending restraint is exercised by the Congress in the coming weeks, because clearly if spending gets out of hand, taxes must rise eventually. In making the decision, it will also be useful to have more data on the extent of the inflationary danger that we now face and on the future rate of expansion of the economy.

August 27, 1975

GRAIN SALES TO THE SOVIET UNION

Q. What is your view of additional grain sales to the Soviet Union in light of your Administration's suspension of sales to the Soviets?

A. In recent weeks, a great deal of interest has been created by reports of Soviet purchases of American grain. So far, these purchases total 10.3 million tons.

As you are aware, the Agriculture Department's August 1 crop report is that we will have record corn and wheat crops and that production of other grains will be well ahead of 1974. The estimates of the corn and wheat harvest were down slightly from the July 1 estimates because of the dry weather but we still expect a record crop.

We have cause to anticipate additional larger-than-ordinary demands for grain from the Soviet Union. While our crop looks good and we expect a record, it is still premature to confidently predict our final production. Accordingly, as Secretary Butz announced, we have asked American exporters and the Soviet Union to delay any further sales to Russia temporarily.

We can meet the needs of our traditional customers who buy every year, and we have to be sure that we have enough for ourselves. It is a foolish farmer who empties his corn bins this early in the year.

We want to be sure that any additional sales to the Soviet Union will be in our own national interest -- in the interest of all Americans, farmers and consumers -- and in this Nation's best interests abroad.

I want to stress that this caution in the special case of sales to the Soviet Union in no way represents a change in our basic policy of full exports to long-term trading partners.

I hope that our crops are as large as we think they will be. But, we do have the time to wait and make certain. Whatever we decide about further sales to the Soviet Union this year, I want to assure you that we will base our decision on what is best for this country.

August 27, 1975

SOVIET GRAIN SALES AND FOOD PRICES

- Q. Do you expect Soviet grain purchases to affect food prices in the United States?
- A. Grain prices in the United States are ultimately determined by worldwide conditions of supply and demand. Thus, our prices are affected just as much when the Soviets purchase from the Canadians or the Australians as when they purchase directly from the United States.

There is no question that under the worst of circumstances sales to the Soviets could be large enough to bid grain prices way up, particularly if crop conditions deteriorate in other parts of the world. However, the impact on food prices tends to be overstated. Agricultural products make up only about 40 percent of what consumers consume as food. Some 60 percent is made up of goods and services added beyond the farm gate. It is the general inflation of costs that pushes up food prices, not just the increase in farm prices.

It is very difficult to make price estimates until both the Soviet requirements and the final size of our own crops are better known. Our preliminary judgment is that the food price effects from Soviet grain purchases are likely to be modest.

August 27, 1975

TRADE SURPLUS

Q. It has been reported that the U.S. trade account was in surplus again in July by \$98 million. For the first seven months of this year, our trade surplus was \$6.4 billion. What sort of a trade performance do you expect for the balance of 1975?

A. We expect that in the months ahead the trade surplus may decline somewhat from the peak level of the second quarter when the surplus was running at an annual rate of \$14 billion. The reason for this is that the improvement in U.S. economic activity will create some additional import demand. Furthermore, we expect that pick-up in our economy will occur faster and earlier than in economies abroad so that there will not be an offsetting increase in U.S. exports.

August 27, 1975

D

NEW YORK CITY

QUESTION: What are your views about the current situation in New York City? Do Chairman Burns recent comments signal a change in the Federal Government's position?

ANSWER: I am of course deeply concerned about New York City's financial condition. In recent weeks, a review of the City's finances by MAC and the State has revealed deficits far larger than were heretofore expected. These levels of deficit mean that the problem must be attacked on two fronts: there must be a credible current budget as well as a longer range plan to eliminate the cumulative burden from past years. But I continue to believe that resources exist at the State and local level to deal with the situation successfully.

As he himself has pointed out, Dr. Burns' recent statements reflect absolutely no change in the Federal Government's position. When Congress created the Federal Reserve System some sixty years ago, providing a mechanism for maintaining the liquidity of our commercial banks was an important objective. And Dr. Burns said nothing more than that the Federal Reserve would perform this traditional role with respect to banks affected by New York, just as it has in so many other cases.

BACK-
GROUND:

The essential distinction which must be kept in mind is between providing liquidity and assuming the risk. When the Fed provides liquidity -- "opens the discount window" -- it looks only to the bank's credit as a source of repayment. If the Fed, on the other hand, were to purchase City or MAC securities from banks, its only recourse would be against the City or MAC: the Fed, not the banks, would bear the risk. The Fed has never said it would purchase City or MAC debt.

August 28, 1975

FEDERAL MONEY USED TO BUY SCHOOL BUSES?

- Q. There have been charges that federal funds for improving education have been used to buy school buses rather than to improve the quality of schools. Are those charges true?
- A. HEW has investigated those charges, which have been made over the years, and has been unable to find any evidence that they are true.

Background: HEW's Education Division is prohibited by statute from spending any money for transportation of children to or from school. There is a loophole, however. Under the federal impact aid program, money for education is sent directly to eligible local school districts. There is no accountability as to what this money is spent for. Conceivably, it could be used for transportation or for buses. But Bob Wheeler, head of HEW's Bureau of School Systems, says that such a charge is "An old chestnut used by dissidents that has never been proved."

JBS/8-28-75

INCREASES IN MASS TRANSIT FUNDING

- Q. In view of rising mass transit deficits and increasing demands for rapid transit construction projects in the nation, does the Administration plan to seek increased mass transit funding next year (in the FY 1977 budget)?
- A. Last November I signed into law the National Mass Transportation Assistance Act of 1974. The \$11.8 billion which it provides will enable the current annual \$1.7 billion level to grow to \$2.4 billion by 1980. In addition, cities may use Federal highway funds for mass transit projects. Boston, Philadelphia and Washington, D.C. officials have requested over a billion dollars worth of Interstate highways to fund transit projects. Other Federal highway funds can be, and are being, used to buy buses, build busways and to make other transit investments. Cities also use General Revenue Sharing funds for transit services. We consider these resources sufficient. By using Federal, state and local funds and with better automobile traffic management techniques, I am confident that we can maintain and improve the excellence of transit service for the mobility of the American people.

RA/OMB
8/28/75

HIGHWAY vs MASS TRANSIT SPENDING

- Q. In view of the energy crisis, why is the Administration spending four to five times as much on highways as it spends on mass transit?
- A. Last November I signed into law the National Mass Transportation Assistance Act of 1974. It provides \$11.8 billion in Federal assistance for mass transit through 1980. The current annual level of \$1.7 billion for mass transit is projected to rise steadily to \$2.4 billion by 1980 under this legislation. When one considers that as recently as 1970 Federal transit aid was less than \$200 million per year, there has been an obvious and dramatic shift in priorities.

In addition, Federal law now allows jurisdictions which choose not to build an Interstate Highway to shift those Federal funds to mass transit projects. Boston, for example, has withdrawn \$671 million in Interstate funds, much of which will be used to upgrade and expand its mass transit system. Federal highway funds may also be used to purchase buses, build bus ways and fringe parking lots, and other transit-oriented facilities.

For the foreseeable future, even with the completion of major new rail systems, we will rely on our highways for the bulk of urban passenger and freight movement. In light of the energy crisis and greater demand for urban transportation, it is very important to increase the efficiency of our highway system. We must encourage more efficient use of urban highway systems through carpools and vanpools; increase the efficiency of present roadways by computer controlled signals, special bus lanes, etc.; and in some cases construct new roadway to facilitate needed development in areas that cannot efficiently be served by other modes of travel.

In addition, highway funds provide for intercity travel and for critically needed transportation in the nation's rural areas.

SOCIAL SECURITY OVERPAYMENT

- Q. What are you planning to do about the overpayments of more than \$400 million in the Social Security Program?
- A. I am very disturbed by errors made in the Supplemental Security Income Program. A few years ago, the Federal Government assumed the role of providing aid for the aged, blind, and disabled from the States. It appears that when we erred, we erred on the side of the individual.

I have asked the Office of Management and Budget to look into this problem and to work in conjunction with HEW and the Social Security System. We want to insure that these problems do not occur in the future.

JGC 8/28/75

INTERNATIONAL

NOTE:

The following questions have appeared in previous briefing books. They are included for reference, if needed.

JBS/ 8-28-75

VIETNAM, SOUTH KOREA UN MEMBERSHIP

Q: Can you comment on the State Department announcement that we will veto UN membership applications of the two Vietnams if South Korea is not admitted?

A: — We are prepared to support the membership of all three of these states. However, we will not be a party to attempts to admit one state while excluding another. To do otherwise would be in direct violation of the principle of universality upon which the U.N. was founded. Therefore, the United States will continue to support the candidacy of South Korea and will vote against any proposal that does not include them.

August 14, 1975

PANAMA CANAL TREATY NEGOTIATIONS

Q: In light of the Snyder Amendment approved by the House and in light of a newspaper story which says you plan to postpone conclusion of Panama Canal Treaty negotiations until after the election for political reasons, can you tell us the status of these negotiations and your views on these negotiations?

A: As you know, during the last three Administrations the United States has been discussing our differences with Panama over the Canal. The goal is to reach an agreement which would accommodate the interests of both nations while protecting our basic interests in defense and operation of the Canal. There are a number of difficult questions remaining to be resolved and the talks will resume early next month. I have no intention of proposing to Congress any agreement with Panama or anyone else that would not protect our vital defense interests. Naturally, any agreement we reach will be submitted to the full constitutional process including Senate approval, and we will be consulting closely with the Congress as the discussions continue.

Any amendment prohibiting negotiations is, in my view, unconstitutional.

PORTUGAL

Q: Mr. President, what is your reaction to developments in Portugal in recent days and the continued instability and turmoil in the government there? What if anything are we prepared to do and under what circumstances?

A: As you know, I have been following this matter very closely.

Based on my meetings in Helsinki, I believe that there is a consensus among the Western allies that the situation in Portugal is very serious and should be watched with care and concern, as well as with deep sympathy and friendship for the people of Portugal. We will continue our close consultations with our allies on this issue. We see no evidence that the people of Portugal want a return to authoritarian rule; rather, they have expressed themselves as desiring a democratic, pluralistic government. Secretary Kissinger's recent remarks reflect my concern over attempts by an anti-democratic minority to subvert the efforts of the moderate majority to strengthen democratic institutions in Portugal.

MIDDLE EAST--US PRESENCE IN INTERIM AGREEMENT

Q: Will there be an American presence in the Sinai as part of a new agreement and what numbers are involved? Do you have Congressional approval for such a presence prior to the Secretary's shuttle? Will you ask Congress to approve this presence after the shuttle? What will you do if Congress decides not to approve any agreement which involves a US presence in the Sinai?

A: First, let me say that at this time when no agreement has been reached, any discussion of an American role is premature. In the event the parties request it, however, we would of course consider such proposals that hold promise of facilitating progress toward a settlement. In consideration of such a contingency we have been discussing with members of the Congressional leadership the general concept of a U.S. presence. Such a presence would in all likelihood be limited to small numbers of civilian unarmed volunteers to perform very limited technical functions at the request of both parties.

Should such a procedure be deemed feasible by the parties, the United States would accede only with prior Congressional endorsement by vote.

At present we are continuing to work with the parties toward a negotiated settlement and to consult with the Congress on next steps.

MIDDLE EAST--US/ISRAELI AID TALKS,
MIDDLE EAST AID REQUESTS

Q: Is the Israeli request now up to \$3 billion and what have you decided as a result of the US-Israeli aid talks in Washington? Why were there no comparable talks with the Egyptians? When will you submit your Middle East aid requests?

A: The purpose of these talks was to review information pertaining to the Israeli economy, with a view toward formulating an assistance proposal for Israel to the Congress. No final decisions have been made on overall aid levels for the Middle East, but in due course, we will make our decisions known.

HANOI'S CONDITIONS ON MIA'S

Q: The North Vietnamese Premier (Pham Van Dong) recently linked the willingness of his government to discuss the missing in action question to the willingness of the U.S. to provide aid to North and South Vietnam. Is the U.S. Government prepared to meet these terms in order to get information on our missing?

A: The Communist side has a clear obligation to provide us with all the information it has on our missing and to permit the remains of identified dead Americans to be repatriated to the U.S. This obligation stems not only from the Paris Agreement but also from the Geneva Conventions of 1949 and from basic precepts of international law. These obligations are unconditional.

MBFR PROGRESS

Q: During your recent European trip you referred several times to the need for progress in the European force reduction negotiations in Vienna. Does the US intend to offer some of its tactical nuclear forces in Europe in an effort to break the stalemate as has been reported? Is there any reason to think this would move the talks forward? Could some reductions be made while the talks continue?

A: The issues being addressed in the MBFR talks go to the very heart of the structure of European security and affect the vital interests of some 19 participating countries. The negotiations are extremely complex and difficult, and we should not expect quick results.

However, we continually assess the state of play in the negotiations and we are prepared to take appropriate initiatives when that will help us to meet our objectives. But the Soviet Union and its allies should also be prepared to respond in good faith on the common objective both sides should be working toward -- undiminished security for all but at a lower level of forces.

We remain optimistic that the talks will ultimately achieve a successful result. Until that time there will be no US troop withdrawals from Europe. US forces are in Europe for very good reasons and the level of those forces should be no lower given the threat currently posed by the other side.

CUBA POLICY

Q: The U. S. supported at the recent OAS conference in Costa Rica adoption of a resolution terminating mandatory sanctions against Cuba. Secretary Kissinger has said that we are prepared to begin a dialogue with Cuba. In light of this, will the U. S. continue to apply sanctions against trade with Cuba, and do you support normalization of relations with Cuba?

A: As you note, the OAS resolution, which had the support of more than two-thirds of the countries, simply frees each government to pursue the policies it sees as being in its own interest with regard to Cuba. That resolution has no automatic or legal effect on our sanctions.

I have indicated before that we see no advantage in permanent antagonism between ourselves and Cuba, but that change in our bilateral policies toward Cuba will depend on Cuba's attitude and policies toward us. There are a number of outstanding and complex issues between us, and I would not want to speculate on when or whether it might prove possible to begin to work out these issues.

Q: Isn't our maintenance of measures which punish other countries for engaging in trade with Cuba contrary to the spirit of the OAS resolution which the U. S. supported?

A: As I indicated, the OAS action has no automatic or legal effect on our sanctions. We will be examining the implications of the OAS action.

SALT

Q: Can you describe the status of the SALT negotiations? Will there be a new SALT agreement by the end of this year?

A: As you know, General Secretary Brezhnev and I did spend some time discussing SALT at the CSCE summit in Helsinki. We made progress on several outstanding issues. I don't want to commit to a precise timetable but I continue to be encouraged by the progress in SALT.

THE PALESTINIANS

Q: President Tito called for the establishment of a separate Palestinian state. What is the US position on the Palestinian issue?

A: Our policy remains that the Palestinian problem must be resolved as one of the key issues in the Middle East situation. However, I am not going to prejudge the outcome of negotiations which are properly the matter of the parties themselves by expressing a preferred solution to the Palestinian problem. This is a matter for the parties to decide.

Q: Should the Israelis negotiate with the PLO?

A: We have never recommended that the Israelis negotiate with the PLO. The question of any such negotiation presupposes the acceptance by the PLO of the State of Israel and this issue is academic since the Palestinian organizations do not recognize Israel's right to exist.

CYPRUS PROBLEM

Q: Mr. President, talks between the leaders of the two Cypriot communities were held over the past weekend. In your opinion, have these talks furthered progress toward a Cyprus settlement?

A: The intercommunal talks held in Vienna last weekend ended on a positive note. The United States welcomes this encouraging sign of progress. In my view, these consultations offer the best hope of achieving a peaceful solution to the Cyprus problem acceptable to all the parties. I also welcome indications that several members of the European Community are actively exploring ways to help the parties reach agreement on the Cyprus issue.

The continuation of the ban on arms assistance to Turkey has reduced our ability to work effectively with all the parties involved in achieving a just settlement. We remain willing however to assist the parties in any way that holds promise of achieving an acceptable settlement.

MIDDLE EAST AID REQUESTS

Q: When will you submit economic aid requests for Middle East states to Congress and what amounts will you request for each state? How do you plan to respond to Israel's military and economic requests for FY 76? What about Egyptian statements that the US has promised hundreds of millions of dollars in aid?

A: I have no precise date to give you now except to note that all these considerations are being integrated in our on-going reassessment. As I have already indicated [July 21 Oval Office interview with editors], the pace of the reassessment has a relationship to the negotiations. But, at the appropriate time, I will consult with Congress and submit requests based upon our considered views of the needs of the parties and upon our national interest.

Though I have taken no final decisions on Israeli aid requests, I can assure you we will continue to support Israel's survival and well-being. As for Egypt, I discussed Egypt's needs when I met with President Sadat in Austria and indicated that we will look for ways we can assist Egypt's long-term economic development, both bilaterally and in cooperation with other states and international institutions.

EASTERN EUROPE

Q: Mr. President, in your statement to the Americans of East European background on July 25, you reaffirmed the United States support for the aspirations for freedom and national independence of the peoples of Eastern Europe. At the same time, you visited three of those countries, including one of the most repressive internally, and lent the prestige of the American Presidency to the leaders of those closed societies. How do you reconcile these seemingly contradictory aspects of your policy?

A: In considering our attitude toward specific countries, and particularly those with different social and political systems, we must ask what approach is most likely to bring about eased conditions: a policy of confrontation or a policy of easing tensions? We have concluded that a policy which makes an attempt to settle political conflicts stands a better chance of bringing about a peaceful evolution toward more open and humane societies.

I believe that my visits to certain Eastern European countries in connection with my attendance at the meeting in Helsinki helps to demonstrate this policy and thus to encourage the kind of evolution we all would like to see in Eastern Europe.

EUROPEAN TRIP

Q: Mr. President, you have just returned from a second trip to Europe in two months. What do you think it accomplished?

A: I believe this was a successful trip which served American objectives in Europe in several important ways:

-- First of all, it reinforced our ties with our traditional allies by demonstrating our deep and continued interest in European affairs and our commitment to the maintenance of peace and security, and the advancement of human rights, throughout Europe.

-- Secondly, it helped to place the Conference on Security and Cooperation in Europe into perspective as an important element in our overall efforts toward a relaxation of tensions in Europe.

-- Thirdly, it graphically illustrated our interest in the well being of the peoples of Eastern Europe, and our support for their efforts to define their own independent role in the affairs of the continent.

-- In addition, the trip provided the opportunity for individual meetings with a number of European leaders for discussions on urgent questions in which the United States has a vital interest, such as my meetings with General Secretary Brezhnev and my discussions in Helsinki on the Cyprus and Eastern Mediterranean problems.

CRITICISMS OF CSCE

Q: Mr. President, your participation in CSCE and signature of the Final Act has drawn considerable criticism from many in the United States that you have ratified the territorial acquisitions of the USSR from World War II and perpetuated its control in those areas. Could you respond to these criticisms?

A: The CSCE did not ratify post-war frontier changes. The Final Act of the Conference states only that frontiers cannot be changed through the use of force, a concept to which we have subscribed in the United Nations Charter. In addition, the Final Act of the CSCE expressly provides that frontiers can be changed by peaceful means and by agreement, thus indicating acceptance that the possibility for peaceful evolution, and frontier changes, exists. This was a major concession on the part of the Warsaw Pact, and it refutes the charge that present borders are being permanently frozen. It is important to remember that all the present borders had previously been established by treaty -- with US participation in every case except the German borders, which we ratified by West Germany in 1971. The CSCE Document also specifically recognizes the right of self-determination of peoples, includes a strong restatement of the principle of Human Rights and Fundamental Freedoms, and gives a public commitment to a greater measure of freedom of movement of people and ideas than has existed in the past. I believe the inclusion of these provisions, in which the United States played an energetic role, is fully responsive to the concerns you have mentioned.

DETENTE

Q: Mr. President, you have just returned from Helsinki and a Conference which many observers consider an important victory for the Soviet Union. In this light, and taking into account developments in Portugal and the Middle East, how do you see our relations with the Soviet Union developing? Are the Soviets getting more out of detente than we and does this foreshadow a cooling-off period in our relations?

A: From the outset of my Administration, I have stressed my commitment to working for improved relations with the Soviet Union in the interests of world peace. The effort to achieve a more constructive relationship with the USSR expresses the continuing desire of the vast majority of the American people for easing international tensions and reducing the chances for war while at the same time safeguarding our vital interests and our security. Such an improved relationship is in our real national interest.

I have previously observed that during this process we have had no illusions. We know that we are dealing with a nation that reflects different principles and is our competitor in many parts of the globe. In Helsinki, I cautioned that detente must be a two-way street. Tensions cannot be eased by one side alone; there must be acceptance of mutual obligation. This is an important Western concept which has now been firmly established as an item on the East-West negotiating agenda. The conference thus did make an important contribution to the kind of detente which we in the West can consider meaningful.

TURKISH MILITARY ASSISTANCE

Q: Mr. President, on July 25, in retaliation for the continued cut-off of military assistance, the Turkish government significantly curtailed U.S. activities at joint bases in Turkey. What impact has this had on the security of the Eastern Mediterranean? Can this situation be reversed?

A: The Turkish government's actions altering the status of the joint defense installations has had a very grave effect on the security interests of both countries, as well as on NATO. The continuation of the ban on arms assistance is a serious impediment to our relations with Turkey, an old and faithful ally. My conversations in Helsinki convinced me that the continued embargo hinders progress on the fundamental questions in a Cyprus settlement. I consider it essential that the arms embargo can be lifted, so that our two nations can restore the balance in our mutually beneficial relations and fundamental security interests. This in turn would increase our ability to work effectively with all the parties involved in achieving a just and equitable settlement of the Cyprus problem. It is in this context that I asked the House to reconsider its earlier decision on resumption of assistance to Turkey.

Through a combination of firmness and flexibility, the United States has in recent years laid the basis of a more reliable relationship based on mutual interest and mutual restraint. Last November, at Vladivostok, General Secretary Brezhnev and I reaffirmed the determination of the United States and the Soviet Union to further develop our relations and to continue the search for peace. Last week, in Helsinki, we continued this work. As a result of these talks, I believe the prospects for further improvements in US-Soviet relations are good.

US POLICY CONCERNING NUCLEAR FIRST-STRIKE

Q: Would you clarify US policy concerning nuclear weapons "first-strike" and "first-use" plans.

A:----- As I mentioned in a letter to Senator Brooke on July 25, the policy of my Administration has been and continues to be that we will not develop a first-strike doctrine.

As improved command and control and newer systems permit, we are increasing the flexibility of our forces to be more fully prepared for all possible contingencies. However, I wish to reemphasize that this in no sense implies development of a first-strike capability.

With regard to the "first-use" question, we cannot categorically rule out the use of nuclear weapons in response to major non-nuclear aggression which could not be contained by conventional forces.

NSC AND SECRECY

- Q: Why is your Administration, which claims to be more "open" than the previous one, refusing to release a list of the titles and numbers of NSC study and decision memorandums (as well as other national security documents) under the Freedom of Information Act?
- A: Any decision to release classified material relating to foreign policy and defense matters must balance the benefit to scholars and researchers against the potential damage to important U. S. foreign policy and defense interests. In order to serve the public interest, this Administration has encouraged the greatest possible release of classified information wherever consistent with the need to safeguard sensitive information concerning our national security and foreign policy. Thousands of pages of such material have been released by the Departments of State, Defense, the CIA, other Federal agencies and the Presidential libraries. It remains important, however, that certain materials relating to US foreign relations and our efforts to deal with the many difficult foreign policy and defense problems remain confidential.

HAWK MISSILES FOR JORDAN

Q: Are you planning to press your campaign with Congress for approval of the sale of 14 batteries of the HAWK missile to Jordan by resubmitting the Administration's original letter to Congress or will you consider compromising by submitting a request for 3-6 batteries? What about the possibility that King Hussein might turn to the Soviets or Syrians if you renege on the commitment for the full package of 14 batteries?

A: The decision to provide an air defense system for Jordan was taken with careful consideration for the national security interests of the US, and in the desire to provide a friend in the Middle East with the means to meet its legitimate air defense needs. The major portion of the proposed package (11 out of 14 batteries) cannot be provided for several years, so it would seem that concerns expressed about the immediate impact of the proposed sale are not justified. When Congress reconvenes I will work with the membership to obtain approval for the sale.

BLOODBATH IN VIETNAM

Q: The Washington Post has reported that U. S. Government fears of a "bloodbath" following a Communist takeover in South Vietnam have not been borne out. Please comment.

A: Information currently available to us indicates that the Communist takeover has not occasioned killing on any scale reported by refugees in the weeks prior to the fall of Vietnam this Spring. Foreign observers are generally not permitted outside Saigon, however, and information on the situation in outlying areas is sketchy at best.

We don't know whether or how the situation might change in the future, but I sincerely hope we do not see mass executions in Vietnam.

VIETNAM, SOUTH KOREA UN MEMBERSHIP

Q: Can you comment on the State Department announcement that we will veto UN membership applications of the two Vietnams if South Korea is not admitted?

A: — We are prepared to support the membership of all three of these states. However, we will not be a party to attempts to admit one state while excluding another. To do otherwise would be in direct violation of the principle of universality upon which the U.N. was founded. Therefore, the United States will continue to support the candidacy of South Korea and will vote against any proposal that does not include them.