

5:50

Don -

The President did want a
grouping book. The attached
was submitted.

Seidman's offer may have two
additional Go A's. They will be
submitted to you.

Jamie was in a car accident
this afternoon. I am going up to
Pennsylvania. I will call you
tomorrow morning. Should be
back tomorrow night or Wednesday
at 8:00. Jim

THE WHITE HOUSE

WASHINGTON

November 3, 1975

THE PRESIDENT'S BRIEFING BOOK

Supplemental Questions For
General Press Conference

November 3, 1975

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|-------|------------------|
| TAB A | New York City |
| TAB B | Tax/Spending Cut |
| TAB C | General Domestic |
| TAB D | International |

Q: How can the United States provide assistance to developing countries when you refuse to provide aid to New York City?

A: We are not dealing with an either/or proposition; the two are completely different issues. I have made very clear my views with respect to the issue of New York City. With respect to foreign assistance, we provide such help not as a favor to another country but because we have an important relationship with that country to which aid contributes. Our relations with any given country and the means chosen to strengthen them reflect important U. S. interests in each case. It is erroneous to assert an analogy between these interests and unrelated internal issues. Thus, we should not see the question as a choice between New York and a foreign country, but rather whether the aid we are providing serves our interests.

IMPACT ON BANKS

Q: How many banks will be placed in difficulty in the event of a New York City default? What are the names of the banks?

A: The federal bank regulatory agencies have conducted an exhaustive review of holdings of New York City securities in our banking system and the potential impact on that system of a default by New York City. They have concluded that no major bank would be materially affected, as a direct consequence of a default by New York City.

While the impact on a handful of smaller banks could be more serious, the Federal Reserve and the FDIC have adequate mechanisms to protect bank depositors and the banking system.

10/29/75

CREDIT INVESTMENTS

Q: Are the creditors going to lose their investments?

A: Major states and cities have defaulted before -- for example Arkansas and Detroit -- and in all these cases the creditors have received 100 cents on their dollar. Accordingly, if New York City acts responsibly, eventually all creditors could be paid if New York City officials act responsibly in handling the city's fiscal affairs.

10/29/75

RIPPLE EFFECT

Q. What ripple effect do you expect on the financial community from a New York City default?

A. There are two risks in any major financial reversal: financial and psychological.

We have carefully assessed the financial risk--the impact on the markets, and the impact on the banking system--and we believe these risks are manageable. Markets tend to discount future events and to some significant degree a potential default by New York City has already been discounted. These conclusions have been confirmed by many disinterested observers.

The psychological risks cannot be measured. However, it is clear that the dire predictions and alarmist rhetoric employed by those who seek to force a Federal bail out for New York City have enhanced the psychological risks. It remains of utmost importance that all who concern themselves with the affairs of New York City view the situation objectively.

In short, if all those concerned act responsibly, the ripple effect would be minimal.

10/29/75

B

TAX CUT SPENDING CEILING
ECONOMIC EFFECT

Q: What economic effect do you believe your tax cut spending ceiling will have in the short run?

A: My proposal to reduce taxes and curb the growth of expenditures was not designed for its short term economic effects. As I have stated earlier it is not aimed at affecting the economy in any significant way during early 1976.

Unless the growth of Federal outlays is slowed the choice in future years will be between higher taxes and highly inflationary budgets. My proposal to reduce the rapid growth in expenditures would reduce the tax burden of the American people but in a manner which would also reduce the inflation risks. We have become so accustomed to looking at the near term and assessing the short term benefits and costs of what governments do that we often lose sight of where we are heading and the costs we impose upon the American people and upon the productivity of our economic system. It is time to stand back and take stock of where we are going.

The short term effects of my proposal, in any event, would be minor. There would be a slightly larger deficit during the first three quarters of next year. Standard methods of analysis would suggest a slightly more rapid increase in production and employment early next year--but these effects would be small in any event. I would also point out that the larger deficit early next year would not arise if the Congress would adhere more closely to my budget proposals for the present fiscal year.

CEA
October 16, 1975

CUTTING SPENDING

Q: It is an old law here in Washington that everyone is against high Government spending in the abstract, but not when it applies to programs of which they are the beneficiaries. How do you propose to get around this fact when you make specific recommendations for spending cuts?

A: This is a very difficult problem. Programs have constituencies and beneficiaries and it is very hard to face the unpopular and often painful consequences which budget cuts mean. I would make two observations, however.

First, I have not proposed a reduction in the Federal budget. I have simply proposed a slower increase in the growth of Federal expenditures.

Secondly, I have proposed linking the expenditure curbs to tax cuts. Tax cuts also have beneficiaries, more in fact, than do many of the previously uncontrollable special interest programs which have pushed the budget up and up in recent years. It is my belief that the Congress will recognize this and that the American people will support this approach.

Porter
October 16, 1975

c

BUSING

Q. Do you favor a constitutional amendment to prohibit busing of school children to remedy the effects of past discrimination?

A. As I have stated in the past, I do not favor a constitutional amendment for that purpose.

But I am always willing to listen to the opinions of others and will be meeting soon with Sen. John Tower, who does favor such an amendment, to hear his views.

PB/BK/RG/DP JBS/10-16-75

"QUALITY EDUCATION"

Q. You have said that you favor a "quality" education for all Americans. How do you propose to achieve this for children of ghetto areas without busing and without reverting to the unconstitutional system of separate but equal schools?

A. We are dealing here with two separate concepts.

First, I am dedicated to the constitutional principle of desegregated schools. And we are looking for ways less disruptive than busing to achieve this constitutional imperative.

Second, I also believe that every American child is entitled to a good education. But a good education is not easily achieved. In fact, recent studies have raised questions about many of the factors we once considered enough -- money, smaller classes, and so forth. I have, therefore, asked the appropriate people in my administration to look into this subject and to make recommendations.

PB/BK/DL/RG/DP/JBS/10-16-75

ENERGY INDEPENDENCE ADMINISTRATION

- Q. Your proposal to create an Energy Independence Authority has come under fire from liberals, conservatives, environmentalists, industry officials, and Members of the House and Senate. What chances do you see for Congress -- which has not passed most of your energy proposals -- to approve this one, and when do you expect final action?
- A. I proposed the Energy Independence Authority because I feel strongly that such an Authority fulfills a critical need in the energy area. I see it as being a complementary addition to the energy program I proposed last January. While I recognize that some parts of this proposal are controversial, I cannot stress enough the importance of Congress acting quickly and favorably on this legislation. I sincerely hope that it could be enacted into law by early 1976.

CR/10-16-75

D

PRESIDENT SADAT'S REMARKS ABOUT ZIONISM

Q. When he spoke at the Press Club, President Sadat defended Egypt's vote at the UN equating Zionism and Racism. He also cited what he called a personal experience where, he said, because of Zionist instructions he was not allowed to buy a radio. President Sadat's comments are offensive to a great many Americans and particularly because they were made during an official visit to this country. I wonder what you have to say about them.

A. As you know, the position of the United States is very clear and very firm on the matter of the UN vote linking Zionism and Racism. We deplore that unfounded and unwarranted linkage. In my earlier statement on this subject, I said that the action in the Social Committee undermines the principles upon which the United Nations is based. The charge, itself, is abhorrent to Americans in all walks of life.

I am proud of Ambassador Moynihan, Leonard Garment, and Clarence Mitchell for the quality of their representation of our views before UN forums. I support them fully.

As for President Sadat's comments, I obviously do not agree with his conclusions. He was certainly entitled to express himself, however. I, of course, had previously expressed my own views, which I reiterate this evening.

Background

Between 400 and 500 messages have already been received supporting the U.S. position, many citing the President's statement. Many of the messages are signed by or on behalf of large groups.

ECONOMIC SUMMIT

Q: What does the United States expect from the Economic Summit meeting?

A: As you know, an Economic Summit will be held in France, November 15 through 17. The meeting will provide the leaders of the participating governments with a valuable opportunity for thorough and intensive discussions on the economic problems which our countries face jointly and separately.

The meeting will not be a negotiating session; rather the emphasis will be on the interactions between our several economies and on exploring opportunities to strengthen cooperation. Because our economies are so interdependent, and we face many of the same types of problems, we can all benefit from an exchange of views on economic recovery, various aspects of our trading and monetary relationships, as well as energy and relations with other economies.

I look forward to this opportunity, and I feel that we, the other participants, and all the countries of the world stand to benefit from closer economic cooperation between the industrialized democracies.

SITUATION IN LEBANON

Q: What is our policy toward the situation in Lebanon and has or will the US offer assistance to the Lebanese Government? Do you fear possible Syrian military intervention and the risk of counter-involvement by the Israelis?

A: The recent tragic events elicit our deepest sympathy for the people and the Government of Lebanon. Our strong friendship with the people of Lebanon and our policy of support for Lebanon's territorial integrity and independence are well known. We also support Lebanon's internal cohesion and unity and hope that it can be restored to its former situation of harmonious relationships between different religious and ethnic groups. We are naturally following events there closely and consulting with the Lebanese and other governments on what could usefully be done to help. We would obviously be opposed to military intervention by any other state in Lebanon, but I do not want to speculate on a hypothetical situation.

As you know, we have advised non-essential Americans, including official US personnel and their families, to leave Lebanon because of the present situation there, but our Embassy continues to function as a channel between our Government and the Government of Lebanon.

October 28, 1975

MIDDLE EAST AID REQUESTS

Q: Reports state that you plan to ask the Congress for more than \$3 million in assistance, both economic and military, for the Middle East, including Egypt and Israel. How can you expect the American taxpayer to finance this when the US economy is still weak?

A: It is premature to discuss the precise amount of assistance we intend to ask for the Middle East until our request is formally submitted to the Congress.

[If the Middle East package has not yet gone to Congress]

I want to make it clear that aid for Israel reflects our long-standing commitment to its security and survival. Our aid requests for certain Arab states, including Egypt, reflect our interest in their plans to improve their economic situation and their efforts to promote peace and stability in the area. Thus our Middle East aid package is an integral part of our effort to assist peace and moderation in the Middle East. I think most Americans will agree that the price is not too great to pay, since the outbreak of war could have the gravest political and economic consequences for all of us.

October 28, 1975

MIDDLE EAST SETTLEMENT--DISCUSSIONS WITH SADAT

Q: What can you tell us about your and President Sadat's discussions about further diplomatic movement in the Middle East? Will the next move be on the Syrian Front? When will the Palestinians be brought in?

A: President Sadat and I have had a wide-ranging and constructive review of the Middle East situation from various aspects, including Syria and the Palestinians. I will not go into details of our discussions, but I intend to remain in close contact with the principal parties to the conflict, including President Sadat, to work with them on generating further movement as rapidly as possible.

CHINA

Q: What are the goals of your forthcoming trip to China, and how will they affect the American man-on-the-street?

A: The primary purpose of my trip is to sustain the dialogue we have had with senior Chinese leaders over the past five years. We consider it is extremely important that both we and China understand our respective positions on a wide range of matters of common concern. It is, of course, a fact that we have differences; our social systems are very different, as are our political philosophies. This does not mean, however, that we do not have some important shared concerns and common views about developments in the world.

As I have said on other occasions, our relationship with the People's Republic of China is a cardinal element of our foreign policy. We support the Shanghai Communique, and intend to continue to work toward the normalization of our relations.

As far as how my trip will affect the American man-on-the-street, I do not anticipate any major concrete developments resulting from my trip. As I have said, it will be largely a working visit for exchanges of views. At the same time,

however, we seek to strengthen our bilateral relations with China, and in this regard we look forward to continued contacts between our two countries in such fields as cultural and scientific exchanges and trade. It is important that the Chinese and American peoples understand each other if we are to build a more secure and just world.

CHINA

Q: What do you expect will result from your visit to Peking?

A: It is of basic importance to the creation of a more secure world that the leaders of two major nations such as China and the United States maintain active contact at the highest levels. Thus, I think it is significant that we maintain the authoritative dialogue that was initiated with the Chinese in 1971.

I expect to cover a broad range of issues in my discussions with Chinese leaders reflecting our common concerns about developments in the world. In addition, we will discuss ways to achieve further progress in our bilateral relations.

CHINA

Q: When do you expect an announcement of the dates of your visit to Peking?

A: I expect we will be in a position to announce details within a few days.

CHINA

Q: Can you clarify the Administration's general approach on China policy?

A: It is a cardinal element of the Administration's foreign policy to seek the further normalization of relations with the People's Republic of China. The Shanghai Communique details the basic perspectives which the Administration brings to the normalization process. We remain committed to strict implementation of the Shanghai Communique in all its aspects.

CHINA

Q: But in your news conference of May 6 you said you reaffirmed the American commitments to Taiwan. Isn't this inconsistent with your efforts to improve relations with Peking? Aren't you really pursuing a "two China" policy?

A: Again, I can only emphasize that the Shanghai Communique provides the basic direction of our overall China policy. In that document the U.S. looks forward to the peaceful resolution of the differences between Peking and Taipei.

DEFENSE STRATEGY

Q. The current argument over the Defense Department budget seems to be centered around numbers and not over the more important issue of what we are spending the money for. Could you explain what our defense concept is, what type of armed forces you feel we need now, and how they would be used both on local wars, such as the Vietnam War or a possible conflict in the Middle East, and in a major direct threat against the United States?

A. Your question has occupied hundreds of our finest minds for years, and involves too many details for me to answer here. I refer you to the Annual Report of the Secretary of Defense to Congress for a detailed discussion of our defense strategy and forces.

However, let me repeat a statement I made earlier:

"A strong defense is the surest way to peace. Strength makes detente attainable. Weakness invites war . . ."

To keep our defenses strong, my program calls for the improvement of our strategic nuclear forces to maintain a clear strategic deterrent. It calls for strengthening the ability of our general purpose forces -- land, sea, and air -- to deter or repel attacks ranging from isolated incidents to major assaults by a combination of opponents. My defense program also is designed to increase our research and development efforts to keep US forces modern and to maintain technological superiority.

World peace depends upon a strong American defense effort. I cannot let our defenses erode.