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THE WHITE HOUSE

WASHINGTON

October 19, 1976

MEMORANDUM FOR: DICK CHENEY
RON NESSEN ✓

FROM: DAVE GERGEN *DG*

SUBJECT: Possible Press Conference

Here is a briefing book for a possible press conference. Also attached is the opening statement that I have been recommending. Paul O'Neill worked up the figures, and Jim Lynn signed off on the idea tonight from Texas. Jim Cavanaugh is for the idea, and Ron, I understand that you are as well. Paul is skittish about opening a press conference with such a blatantly political statement, but both Cavanaugh and I believe that it is fine this close to November.

cc: Jim Cavanaugh
Terry O'Donnell
Paul O'Neill

Draft Opening Statement for Press

As we approach November 2nd, I am asked with great frequency about the major differences between my policies and those of Mr. Carter.

This morning I received some figures from my advisers that point out one of those differences very graphically, and I wanted to share the figures with you this afternoon.

All of you know that I stand for deeper tax cuts and reduced Federal spending. Now what does that mean specifically for an average family of four earning \$15,000 a year -- the family at just about the median level of income? Under my programs for tax cuts, our calculations show that the average family would realize a tax savings of about \$200 a year.

By contrast, my opponent has advocated programs in the Democratic platform and on the stump that would add anywhere from \$100 billion to \$200 billion a year to the Federal budget. Let's just take a lower figure of \$100 billion. If we

increased the Federal budget by \$100 billion this year, individual and business income taxes would have to be increased by 51%. For the average family of four -- the family we just mentioned -- the Carter programs would therefore translate into an increase of \$750 a year in new taxes.

I think these figures are startling. They mean that for the average family of four in the United States today, the difference between a Ford Administration and a Carter Administration would be as much as \$1,000 a year in taxes.

I want to tell you this afternoon that I am proud to run on policies that will save the average American family \$1,000 in taxes every year when compared to my opponent.

The American people need and deserve tax relief, and I intend to give it to them.

Now I am fully aware that Mr. Carter may quarrel with these figures. If I were so obviously on the wrong side of an issue -- as he is -- I would try to wriggle out too. But

if Mr. Carter says these figures are inaccurate, I say that he has a dual obligation to the American people:

-- First, he has an obligation to tell us precisely how much all of his programs would cost -- something he has never done.

-- And secondly, he has a definite responsibility to reveal to us once and for all his secret plan to raise enough taxes to pay for the galaxy of new social programs he is proposing. The American people don't need any more secret plans from their Presidential candidates. They need to be told the truth before the election, not after the election.

Now I will be happy to answer any questions that you may have this afternoon.

POLITICS

Are Non-Voters Cowards?

Q. Carter charged Monday night that those who don't vote are "cowards" who refuse to face the future. Do you agree?

A. When I heard about that remark, I wondered whether Mr. Carter had forgotten that this is still a free country. I hope the day never comes when our leaders force people to vote; that's the way they do it in some countries but they tend to be dictatorships.

Voting, of course, is a privilege. Yet I also think that it is up to the candidates for high office to earn the votes of the people, not to force them to vote by calling them cowards.

We can earn those votes by restoring people's faith in government. That's what we have been doing, and I think we're making progress.

D. Gergen
10/19/76

Elevating the Campaign

Q. In your last press conference, you asked that the campaign be elevated. Then you turned around and said Mr. Carter was slandering the U.S. And on the campaign trail you said Carter wiggles, waffles and wanders. Do you think that you are succeeding in elevating this campaign?

A. I appreciate your question because I have been distressed about the personal low blows that have sometimes been delivered in this campaign. For instance, I thought Senator Mondale's comments about General Brown this Monday were one of the crudest examples of gutter politics in my lifetime.

What I am seeking to do is to raise the campaign from an ad hominem attack on personalities to a more enlightening discussion of the issues. Sometimes I will use graphic language to describe the profound differences I have with Mr. Carter on the main issues in this campaign. My remark that he slandered the good name of the United States during the second debate falls into this category. But I will try to avoid attacking him personally in order to focus on the issues, and I hope that he will one day do the same thing.

I might add my firm conviction that when the American people fully understand the differences between us on issues such as taxes and ways to keep the peace, I am confident we will win.

D. Gergen
10/19/76

Carter Dividing the Country

- Q. In your train trip last weekend, you charged several times that Carter is "dividing the country." Can you tell us what you mean?
- A. My point was that too often in this campaign, Mr. Carter has chosen to pit one group against another, class against class. For instance, ever since his famous tax interview with the AP, Mr. Carter has been striking hard on the theme of changing the tax laws to soak the rich. He has made a very definite effort to pit the poor against the rich, the labor movement against the business community, consumers against manufacturers, etc.

We cannot continue the process of healing in this country if we reopen old wounds and reignite old passions. In this Administration, we are trying to unite the many different forces in our society because we believe that America draws its strength and creativity from a pluralistic but united society.

Note: It is suggested that you not say that Carter is dividing the North against the South or one religion against another. Both ideas are explosive.

D. Gergen
10/19/76

Patman Hearings

- Q. In your last press conference, you were given two opportunities to say whether or not you ever talked to Dick Cook or anyone else about the Patman hearings. Both times you ducked the question. Can you give us a clean "yes" or "no" today?
- A. The questions now being discussed were fully covered in 1973 when I was confirmed as the Vice President. As I said at my Press Conference last week, I answered all the questions before two committees of Congress. What I said then was that at no time did I discuss the Patman hearings with President Nixon or Messrs. Haldeman, Ehrlichman or Dean. I also said that as Minority Leader, I dealt with Mr. William Timmons, head of the White House legislative liaison office, and members of his staff -- and that would include Dick Cook -- on a daily basis but, to the best of my recollection, they did not convey to me any White House instructions to block the Patman hearings.

Let me make clear that the actions I did take -- actions fully explained in my testimony -- were taken strictly at the behest of Republican members of the House committee, and not the White House.

The Special Presecutor has just made a determination that the information available does not even merit an investigation. Apparently former Senator Ervin has said that there is no evidence that I acted on orders from the White House.

I am confident that the American people realize that these allegations represent nothing more than the dredging up of old and false material during an election campaign.

E. Schmults
10/19/76

Dole's Comments on U.S. Wars

Q. In his debate with Mondale, Senator Dole lambasted the four wars of this country, including World War II and Korea, as Democratic wars and he implied that Democrats were responsible for the loss of all those American lives. Do you agree with that assessment?

A. As I listened to the debate it was clear to me that the sense of Senator Dole's comment was not to affix blame. Instead, he was stating an historical fact that Republican administrations in this century have been characterized by peace and ending conflicts in which the United States has been involved. Historically, that record stands in marked contrast with the Democratic Party.

No one is attempting to blame Democrats. As Howard K. Smith said this week, the Second World War and Korea were not so much Democratic wars as American wars. But I do also think that it is fair to point out historical facts.

NOTE: There is definitely a relationship between unemployment and the wartime status of the U.S. For example, if we had the same percentage of our labor force in the armed forces today as we had in Korea, our unemployment rate would be almost a third less than it is today.

POLITICS

Equal Time for Carter

Q: Do you think the networks should now grant Governor Carter free time for a half-hour prime-time news conference?

A: That, of course, is a decision for them to make. But I think that anytime the press can persuade Mr. Carter to respond directly to questions on the issues, many people would like to tune in.

Carter's Mean Streak

Q. Apparently some members of your campaign advisory committee have told you that Carter is conducting a mean, nasty campaign. Do you agree?

A. This has been a matter of some concern to me, but I think the American people are the best ones to judge whether Mr. Carter, by temperament and experience, is qualified to govern the country.

DOMESTIC

What's Wrong With the Stock Market?

- Q. What's wrong with the stock market? Is it reacting to the prospect of a Carter win? A Ford win? Or is it reacting to economic conditions?
- A. I would scarcely classify myself as an expert in the stock market. However, I was interested in an analysis in last Sunday's Washington Post, which, on the basis of interviews with sophisticated market investors, indicated we may be in the, "grips of a Carter market."

Investors are apparently very uncertain about the outlook for our economy should my opponent win. I must say, I don't blame them.

I trust the rally of recent days in a response to the new momentum of the Ford campaign.

Note: A "Carter market" would be one that is influenced by the prospects of a Carter victory. As the chances of his victory increase, the market goes down; as his chances diminish, investor confidence goes up and the market goes up.

A. Greenspan
10/19/76

Failure to Spend Appropriated Funds

Q. Critics have charged OMB with mismanaging funds so that several billions of dollars were not spent during the past fiscal year. That failure, they say, has contributed to the economic pause. Can you justify this action? And what effect has it had upon the economic recovery?

A. Never fear, funds appropriated by the Congress always get spent.

From what I hear as I meet with people, most of them think the Government is spending enough money; most of them would like to have the bigger tax cuts I proposed which Congress failed to enact and less spending by the Government.

What has happened over the last nine months is that Federal contracts have been let at a somewhat slower rate than we had predicted earlier and we have had some income that wasn't in our earlier estimates. As a result of these two factors, checks have not been drawn on the Federal Treasury as fast as had been expected.

But, overall we're on the right track with the economy. The housing starts numbers yesterday, 1.8 million at an annual rate, and the GNP deflator -- a measure of inflation -- were both good. Business leaders meeting last week at Hot Springs indicated a very favorable continuing recovery, so I think the prospects are good.

P. O'Neil
10/19/76

NOTE: OMB paper on subject follows.

Shortfalls in Budget Outlays

Budget spending is falling below estimates. (See attached table for key figures.)

It is appropriate to consider both 1976 and TQ outlays together in evaluating this shortfall. The last public OMB estimate was made on July 16 in the annual Mid-Session Review. The combined total of estimates for 1976 and the TQ at that time was \$471 billion, essentially the same estimate as the January total, although there was a significant shift between figures for 1976 and the TQ.

* Actual outlays are expected to fall below the July estimates by at least \$9 billion and possibly as much as \$12 billion.

No evidence exists that budget outlays were deliberately overestimated. Congressional scorekeepers, who stress their independence from Administration figures, had estimates that were very close to those of the Administration.

As the following shows, the known shortfall of \$9 billion from the July estimates seems unlikely to have a significant effect on 1977 spending.

1. Unanticipated collections that offset outlays caused \$2.6 billion of the reduction. The added collections will not affect 1977 spending estimates. Included are \$0.8 billion for offshore oil and gas sales, \$0.9 billion for unplanned sales from GNMA Tandem Plan portfolio, and \$0.9 billion for faster collections of payments for foreign sales of military equipment.
2. Around \$2.2 billion is for the Department of Defense apart from the foreign sales noted above. Of this amount, \$1.2 billion is attributable to the fact that obligations in operation and maintenance, research and development, and military personnel accounts did not take place as rapidly as expected. However, the obligations plan was met by September 30 and the outlay shortfall will be made up in 1977. About \$0.9 billion results from delays in awarding procurement contracts for military hardware. This lag will decrease 1977 estimates but the amount of the decrease is not certain.

While Defense overestimated how fast 1976 and TQ funds might be used, the situation is not expected to continue. Appropriations for those periods were not received until February 1976. Appropriations for 1977 were available at the beginning of the fiscal year and plans for their use are well underway.

3. The remaining shortfall is scattered in small amounts among a number of agencies. None of these differences are significant for any one agency, though they add to a substantial total. The evidence does not indicate that these shortfalls will have any large effect on 1977 outlays. The shortfalls include:

Agriculture (largely related to fund flows for the Farmers Home Administration and to feeding programs)	\$-0.8
Treasury (offsetting receipts and accounting adjustments for certain interest payments)	-0.7
Transportation (mostly highway programs)	-0.6
HEW (various programs in small amounts)	-0.5
Labor (largely education and training programs)	-0.4

October 16, 1976

Budget Totals (In Billions)

	<u>January estimates</u>	<u>July estimates</u>	<u>Actual or anticipated</u>	<u>Differences - actual or anticipated from</u>	
				<u>January</u>	<u>July</u>
<u>1976</u>					
Receipts	297.5	299.4	300.0	+2.5	+0.6
Outlays	<u>373.5</u>	<u>369.1</u>	<u>365.6</u>	<u>-7.9</u>	<u>-3.5</u>
Deficit	-76.0	-69.6	-65.6	+10.4	-4.0
<u>Transition Quarter</u>					
Receipts	81.9	82.1	82	+0.1	-0.1
Outlays	<u>98.0</u>	<u>102.1</u>	<u>95^{a/}</u>	<u>-3.0</u>	<u>-7.1</u>
Deficit	-16.1	-20.0	-13	+3.1	-7.0
<u>1976 and TQ Combined</u>					
Receipts	379.4	381.6	382.0	+2.6	+0.4
Outlays	<u>471.5</u>	<u>471.2</u>	<u>460.6</u>	<u>-10.9</u>	<u>-10.6</u>
Deficit	-92.1	-89.6	-78.6	+13.5	+11.0

a/ Outlays for the TQ could range from \$94 to \$97 B.

The Economic Recovery

- Q. Many have expressed concern in recent weeks that the economic recovery is faltering badly. Unemployment is sticking near 8 percent, wholesale prices shot up last month, and the stock market has been plunging. What is your assessment of what's wrong with the economy and what exactly will happen in the future?
- A. Although the very rapid rate of economic recovery has slowed since the so-called pause has lasted a bit longer than we had expected, there is no evidence of any underlying deterioration in the recovery. In fact, we expect the rate of growth in real GNP in the fourth quarter of 1976 and into 1977 to be greater than that of both the second and third quarters of this year. (Note: The rate of growth 9.2% in the first quarter, 4.5% in the second quarter, and 4.8% in the third quarter). We expect gains in consumption, business investment and housing. The housing starts announced yesterday were very encouraging. Our view that growth will accelerate is shared by the majority of economists in the private sector who believe that the economic recovery will pick up steam again as it moves into 1977.

As far as inflation is concerned, we were somewhat surprised by the size of the increase of the wholesale price index (.9%) for last month. Nevertheless, there is no evidence that underlying inflationary pressures are growing. The GNP deflator yesterday was also encouraging. Wage increases have been moderate. It's been evident that manufacturers have had difficulty in making price increases stick. For example, the steel industry's recent reversal.

CEA
10/19/76

FARM POLICIES

Q: In the past week, you have acted to restrict meat imports and you have raised farm price supports. In both cases, farmers are likely to be pleased and questions have been raised whether your actions were politically motivated. Are you willing to tell us that politics played absolutely no part in your decisions?

A: Yes. In both instances the actions have been taken only after careful analysis to assure that these steps are in the best interest of our farmers -- and the Nation. The action on meat import quotas was required by the Meat Import Law. The increase in the loan rates on corn and wheat was done to provide our farmers with adequate interim financing to enable them to market the bountiful corn and wheat crops in an orderly fashion.

PCL
10/14/76

RECENT WHEAT LOAN RATE INCREASE

Q: Mr. President, you raised the Government loan rates on wheat on Wednesday, October 13. Why did this happen at this time?

A: At the time that I vetoed the Farm Bill in May 1975, I promised that "If unforeseen price deterioration requires action on my part, I will direct the Secretary of Agriculture to make adjustments in price support loan rates for wheat, corn, soybeans, and other feed grains."

I have been closely monitoring the grain situation since that time. In mid-September, I met with former Secretary of Agriculture Butz and other key members of my Administration on the question of loan rates for wheat. We covered the entire wheat price picture--including contemplated U.S. export sales. At the close of the meeting, I determined not to make any further decision on this question until the market situation was clarified through issuance of the Department's monthly wheat forecast in early October. That forecast plays a large role in estimating future wheat prices.

The report was issued at 3:00 p.m. Tuesday. As is customary, no policy official of the Administration had access to its contents before issuance. Immediately after issuance, I asked my policy advisers in agricultural matters for their best judgment on the wheat price picture. At the time of my veto of the Farm Bill in May 1975, the price of wheat stood at \$3.34 per bushel.* As of close of the markets on Tuesday, October 12, 1976, it had fallen to \$2.79 per bushel. Based on the analysis of the wheat situation, I decided that this year's bountiful harvest--combined with certain events abroad--has created pressures on the wheat market which could not be foreseen last February when the \$1.50 wheat loan rate was established and which required making available additional amounts of "interim" loan money to carry supplies forward to insure a pattern of orderly marketing.

*Cash price for No. 2 ordinary hard wheat at Kansas City.

I am confident that the American farmers will be able to dispose of this record crop in an orderly fashion at reasonable prices, but in order to do so, they must not be forced to sell their crops in temporarily depressed markets. The increase in the loan rate will now permit our wheat farmers to hold their crops until the wheat price is at a higher level.

PCL
10/14/76

DOMESTIC

AIRCRAFT NOISE

Q: Mr. President, there has been a lot of discussion recently that you are about to announce a major new aircraft noise proposal. Is this true? And, can we expect an announcement before November 2?

A: I am well aware of the serious problem of aircraft noise at a number of our major airports around the country. I have spent a great deal of time with Secretary Coleman in the last month on this very question, as well as with others in the Administration.

There is no question but that we have a serious aircraft noise problem. There are 25 or 26 airports where the noise problem is severe, and 100 where the problem is serious. More than 6 million people live near these airports.

Some improvements have already been made. The Airport Development and Assistance Program Amendments of 1976, which I signed in July, make more Federal funds available to airports to purchase land to serve as noise barriers. The Federal Aviation Administration has implemented takeoff and landing procedures which are designed to lessen noise, consistent with safety needs.

Looking ahead, the Congress must enact the aviation regulator reform legislation that I recommended to them a year ago. That legislation would allow the airlines to develop the capability themselves to refit or replace their noisy older planes and insure that, in the near future, all planes flying will meet the noise standards. So far neither the House nor the Senate has acted on this important legislation, which is the first comprehensive updating of airline regulations in almost 40 years.

Secretary Coleman has further suggested to me that the tax on airline tickets and on air freight be reduced 2% and that a financing plan be worked out to take that 2% and establish an environmental fund to assist the airlines in refitting or replacing their old noisy aircraft.

We are in the process of making a final decision on this difficult issue. Although I cannot tell you the exact timing of the decision, I can tell you that I am not going to tolerate an 8 to 10 year delay in solving the noise problem at American airports.

FOREIGN

General Brown

- Q. Several U.S. Senators, including Buckley and Percy, have called for General Brown's resignation. If he were to submit his resignation, would you accept it? If not, why not?
- A. I have no expectation that General Brown would even consider resigning.

The Secretary of Defense has reviewed the transcript and the tape of the interview and it is clear that several of the General's remarks were reported in a misleading fashion. General Brown explained the true intent of his comments in a press conference this past Monday.

Nonetheless, certain of his comments were imprudent. I disagree with them and have expressed my disapproval to General Brown through the Secretary of Defense.

I would also like to add, however, that I was dismayed by the intemperate comments directed toward General Brown from some quarters. General Brown is a fine officer. He has served his country through more than 35 years in peace and war. He was a courageous pilot in World War II and since that time has served with distinction at the highest levels of command in the Air Force. These comments maligned the character of a fine career officer and I believe they are out of place.

NSC
10/19/76

Castro and Hijack Treaty

Q. Can you tell us your expectations about the future of the U.S. hijacking treaty with Cuba?

A. I deplore this unilateral and unwarranted statement by the Cuban Government. At this point the announcement is apparently preliminary. If, in fact, Cuba does abrogate the agreement, it will be held strictly accountable for the encouragement of any future hijacking or other terrorist actions which may result from future hijackings.

The agreement had a constructive effect, and this action by the Cuban Government is irresponsible.

NSC
10/19/76

Carter's SALT Position

- Q. Governor Carter said the following on October 14 in New York:

"We must move to secure agreements with the Soviet Union on a quick freeze on atomic missiles, warheads, total throw-weights and qualitative weapons improvements, and then move to a methodical, step-by-step mutual reduction in our atomic arsenals, maintaining at all times rough equivalency in destructive power."

- A. Mr. Carter obviously is in need of updating on SALT. A freeze is what we achieved in 1972. At Vladivostok we reached substantially beyond a freeze to a position of equality achieved by reductions in Soviet forces. Why he would want to give up what we have achieved at Vladivostok, endorsed as it has been by an overwhelming majority in the Senate, to turn back the clock to a freeze with unequal numbers favoring the Soviet Union, I cannot imagine.

There are other problems with Mr. Carter's proposal. His freeze would leave the Soviets with substantial numbers of new missiles already deployed, while it would prevent us from deploying our new Trident missiles and submarines, as well as other new weapons such as the cruise missile.

Mr. Carter also proposes a freeze on qualitative weapons improvements. I presume he knows such an agreement would be completely unverifiable. Perhaps that doesn't bother him but we are not yet at that point in our relationship with the Soviet Union where I am prepared to make an agreement with no possible means to ascertain that it is being carried out.

An agreement embodying the Vladivostok Accords is now 90 percent complete. I am confident that it can be successfully concluded in the near future. It is not excluded that such an agreement could even include further reductions in total numbers. I think it makes sense to proceed along this course rather than turn back the clock, and I intend to do so. I have to assume Mr. Carter simply is not familiar with the subject.

NSC
10/19/76

Nuclear Policy

- Q. There have been a number of leaks from the Administration in the last two weeks that you had developed and would soon propose a new nuclear program. Can you tell us what the main outline of that program will be?
- A. Nuclear policy, and particularly the control of nuclear proliferation, is an area I singled out for special attention early in my Administration.

We are a world leader in nuclear power, but this is a sensitive matter because we must obtain the cooperation of other nations around the world. We cannot simply impose our conclusions on other countries.

In two years time, we have made good progress. Beginning in May 1975, I directed that negotiations be undertaken with the six other major nuclear supplier nations on steps to control proliferation. By January 1976, after six meetings of the suppliers, we had achieved agreement on a common set of non-proliferation goals that each supplier would impose as a condition of exports.

Just this past week, the Government of France announced, that it was prepared to take new steps to control proliferation. This action is a constructive contribution in the cooperative effort -- begun at U.S. initiative 18 months ago -- among the nuclear supplier nations.

This past summer, I directed that a thorough review be undertaken of all our nuclear policies and options to see whether still additional steps could be taken. I will make specific announcements in the near future, but I can tell you generally tonight about two major policy changes:

-- First, I have decided that the U.S. Government should change its attitude and policy on reprocessing of nuclear fuel in this country. Reprocessing is no longer to be accepted as a necessary and inevitable step in the nuclear power fuel cycle. I believe that we should proceed with reprocessing only when we become fully satisfied that it can be done safely, can be adequately safeguarded and that it makes sense from an economic and energy point-of-view.

-- Second, I have decided on a series of additional steps that the U.S. will take to encourage other nations of the world to follow our lead in postponing their decisions on reprocessing, and thus help to assure that our mutual non-proliferation goals are met.

Domestic Council
October 14, 1976

DEVELOPMENTS IN CHINA

Q: Apparently the Chinese have selected Hua Kuo-feng as new Chairman of the Communist Party and have arrested all of the leading leftists. How do you see these developments affecting US-PRC relations?

A: There have been personnel changes in the People's Republic resulting from the death of Chairman Mao. The developments being reported in the press recently are solely a domestic matter for the People's Republic. We are not aware that the US-PRC relationship is a subject of partisan debate within China and I see no reason to expect that changes in personnel will have any impact on our bilateral relations.