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THE WHITE HOUSE

REMARKS OF THE PRESIDENT
AND
QUESTION AND ANSWER SESSION
WITH THE
PITTSBURGH ECONOMIC CLUB

PITTSBURGH HILTON HOTEL

8:57 A.M. EDT

Mr. Burnham, Mayor Flaherty:

It is a great privilege and pleasure to have the opportunity this morning to say a few words and answer a few questions before the Pittsburgh Economic Club. Some 20 years ago, speaking before the League of Women Voters, President Eisenhower was asked about the goals of the United States' foreign policy. He said, and I quote, "The foreign policy of our Nation is not difficult to state. We are for peace -- peace first, last and always."

Today, that remains the central purpose of every American foreign policy. It has been the purpose of every Administration since I went to Washington more than a quarter of a century ago. In fact, looking back over those years through the terms of six Presidents -- three Democrats and three Republicans -- you will find that while the emphasis may have changed from one Administration to another, the foundations of American foreign policy have remained essentially the same.

There have been some misjudgments. Sometimes we have made commitments that exceeded our capabilities. Sometimes we have been heavy handed. But, the record of achievement far, far exceeds that of failure.

Throughout my time as President, I have shaped our foreign policy according to these four basic principles: First, we have sought to maintain America's unquestioned military strength. Second, we have tried to maintain and strengthen our friendship with our allies. Third, working from a position of strength, we have sought to reduce tensions in the world and to avert the threat of nuclear holocaust. Finally, we have tried to act as a leader and as a peace maker in resolving the many difficult problems that have arisen within a community of nations that has been constantly expanding.

There is no better testimony of the wisdom of our policies than the fact that today America is at peace. Not a single one of our young men is fighting or dying on any foreign battlefield. The draft no longer hangs over the head of our younger generation.

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Today America is strong, ready to meet any challenge to our national security. Our relationships with our allies have never been better, a point that has been echoed repeatedly as leaders of other nations have streamed to our shores in our Bicentennial celebration, and our adversaries respect us. They respect our commitment to freedom and they respect the strength and the will to protect it.

The peace that exists today is directly related to our collective hard work and skillful diplomacy, and I am very, very proud of what we have accomplished. I am very proud to be the first President since Dwight Eisenhower to seek election with America at peace.

What concerns me is that during the closing weeks of this Presidential campaign, it has become apparent that America is now being asked by my opponent to make a fundamental change in the direction and the conduct of U.S. foreign policy. As citizens and as voters, you are being asked to decide whether you wish to build on the great traditions of American foreign policy, the policies that kept us strong and at peace, or whether you wish to break from these traditions, venturing into the unknown with a doctrine that is untested, untried and, in my view, potentially dangerous.

This doctrine deviates -- deviates substantially -- from the solid principles of bipartisan foreign and defense policies of the last 30 years. It has a strong flavor of isolationism. If it is applied in practice the same way that it is described in campaign oratory, there is a significant risk it could lead to major international crises.

Let us look for a few minutes at the most significant difference between the policies of my Administration and those that are offered as an alternative. During the two and a half years of my Presidency, I have fought hard to strengthen our national defense. When I took office defense spending was a smaller share of the national budget than at any time since before the Korean War. We were at the razor's edge in defense strength. If the Congress had continued cutting our defense budget, we would assuredly have drifted into a position of military inferiority.

One of the most significant achievements of this Administration is that we have now reversed that slide. And, as long as I am President, we are going to have an Army, a Navy, an Air Force and a Marine Corps, that are unsurpassed in military capability.

I know it is very costly. As President Eisenhower once said, and I quote, "A good defense is never a cheap defense," end quote.

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But for the sake of peace and freedom, we must be willing to make the sacrifices that maintain America's military might.

Now consider the alternative that is being offered to the American people in this election. Instead of maintaining our military strength, the alternative proposed is to slash billions from our defense budget, stripping us not of waste but of military muscle. The B-1 bomber is a prime example.

I believe it is essential to our security to go forward with the production of this new aircraft, which has met and surpassed every test to date. It would replace the aging B-52 so that our pilots can defend America in an aircraft that gives us a reliable capability for penetrating improved air defense systems of our potential adversaries. So, the differences in defense spending are clear.

I want to continue a course which I believe will keep us strong and free. The alternative is to head down a road which could raise doubts about our strength, our determination, on the part of our friends as well as potential adversaries.

A second basic principle of America's policy is to maintain strong durable relationships with our allies. When I took office, America was in the midst of a constitutional crisis. We were still suffering from the bitterness of Vietnam, and we were faced with a deteriorating economy. The world was watching to see if we could recover. They knew it was critical to their own future because if America became mired in self-doubt, then the peace of the world would be jeopardized.

I am very proud of our record during this period of severe testing. We have led the world out of the most dangerous recession since the 1930s, and launched our economic recovery without producing another round of devastating inflation.

The economic comeback of the industrial democracies is being accomplished not with the "beggar thy neighbor" policies of the 1930s, but with an unprecedented degree of cooperation, as witnessed by the summit meetings in France and Puerto Rico, of the leading industrial nations.

In Europe, we have injected new vigor into the Atlantic Alliance. We have successfully resisted Congressional pressures to reduce our NATO troop commitments. We have worked closely with our allies on the energy crisis, on the nonproliferation of nuclear weapons, on economic policies and on coordinating our approaches to East-West diplomacy. The alliance in Europe has never been stronger.

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We have also made significant progress in the Middle East. The United States stands staunchly by Israel, supplying in just two years over 40 percent of all U.S. aid to that country since its founding in 1948. At the same time, we have earned the respect and the confidence of the Arab nations.

Today, the United States is the only major leader trusted by both sides in the Middle East. They want our leadership and we will continue to provide it.

We can also look to Asia with new confidence today. We now enjoy the strongest links ever with Japan. That was symbolized by the first visit -- the first visit ever -- of the Emperor to the United States, and my own visit to his homeland, the first visit to Japan by any American President.

We have remained steadfast in the Korean peninsula. We have put the Vietnam War behind us in a way which has protected our essential interest and maintained America's respect in that part of the world. We have opened the door to better relations with China.

Now let's look at the alternative that is being offered in this election. Instead of holding firm in Asia, we are told that we should pull our troops and major weapons systems out of Korea--an invitation to disaster, not only there but in Japan as well.

In Europe we are told that we should not close the door to consultation and friendship with the Communist leaders of Italy, France and Portugal. I am deeply concerned over the impact that such an approach would have upon the democratic parties that have for decades waged a struggle to preserve freedom against Communist tyranny.

In the Middle East the alternative appears distinctly hostile to our friendship with moderate Arab nations. I can tell you from experience that such a total departure from current policies could drive these countries into the arms of the Soviets, threatening the stability of the area and eventually inflicting enormous harm upon the very country that it purports to help -- the State of Israel.

Let us look now at still another basic principle of our foreign policy: To reduce tensions with our adversaries and reduce the threat of nuclear war. Over the past two years we have taken significant strides down the path toward halting and reversing the strategic arms spiral.

Early in my Administration I met with General Secretary Brezhnev in Vladivostok, where we pledged our mutual efforts to reach a new agreement limiting nuclear armaments. Today, an agreement embodying the Vladivostok accords is 90 percent complete. I am optimistic that it can be successfully concluded in the near future and that we can work even further for reductions in nuclear weapons.

When that agreement is reached, the prospects for reducing the dangers of a nuclear holocaust will brighten around the world.

But, let us never forget American Presidents have learned that tough talk by itself is insufficient. It is too easily dismissed as bombast. Our rhetoric must be backed by substance, a strong national defense, strong alliances and strong diplomacy.

In place of a strong defense, the alternative called for in this election is a weakened defense. In place of strong alliances, we are offered troop pull-backs and sweeping reviews of America's commitments to its allies. In place of the strategic arms agreement at Vladivostok -- which provides for equal numbers at a level requiring Soviet reduction -- approximately 200 -- the alternative proposed is a freeze at current levels. This major step backward would lock us into force levels which for the Soviet Union would be higher than agreed to at Vladivostok, and for the United States significantly lower.

In the past, American Presidents have always known they should never say in advance precisely what course of action this country would take in the event of an international crisis. The reason for such an approach ought to be very obvious. When a potential adversary knows what you will and won't do in advance, your flexibility is limited and his is increased.

He can probe with impunity or redirect his efforts at more tempting targets. The acquisition of knowledge about such intentions in advance is one of the major reasons why countries spend vast sums of money for intelligence activities.

Thus, it was with some surprise that I heard a specific proposal for total economic warfare against the Arabs in the event of another embargo. I thought such a statement of a specific course of action in advance was a singular mistake which once made would not be repeated. I was, therefore, surprised to hear him make the same mistake at Williamsburg in an ill-advised comment concerning what he might or might not do if the future security of Yugoslavia was threatened.

Statements of this kind -- as we learned over 25 years ago -- instead of serving the cause of peace invite conflict. I have assumed that this statement -- and I say this with some sorrow -- simply reflects inexperience.

Ladies and gentlemen, even though America is at peace today, we must recognize that we continue to live in a very dangerous world, a world hostile to freedom.

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Unrest is still seething in many parts of the globe. The challenge to American diplomacy during the next four years will be equal to any other period in our lifetime.

We must complete negotiations on a SALT agreement to replace the current treaty, which expires in October 1977. We must continue our efforts to defuse the powder keg in Southern Africa.

We must work to achieve a just, stable peace in the Middle East. We must restore economic prosperity.

We must deal intelligently and compassionately with the new agenda of world issues, such as nuclear proliferation, economic interdependence, food, energy pollution and growing populations.

We can succeed in these tasks only if we remain true to the great principles that have guided United States foreign policy for more than a quarter of a century.

This is not a time to weaken our defense, to refuse to equip our troops with essential new weapons, to undermine democratic leaders by hinting at new relationships with Communist leaders in Western Europe, to withdraw our troops from South Korea, to upset the balance in the Middle East or to concede such nations as Yugoslavia to the Soviet sphere.

This is a time to benefit from and build upon the wisdom that we have inherited.

The peace that we enjoy today is not an accident. The peace we have today is a product of the patient diplomacy and the determination of the past.

To preserve the peace, we must be willing to pay the price for a mighty force. To preserve the peace, we must be willing to shoulder the burdens of our alliances and friendships.

To preserve the peace, we must be tough minded and persistent in our dealings with our adversaries.

Never -- not once -- can we drop our guard. To preserve the peace, we must apply the enormous talents and technology in this great country to advancing gains made in far-flung corners of the world, stretching from the Middle East to Southern Africa.

To preserve the peace, we must be generous and compassionate toward others less fortunate than ourselves.

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Finally, to preserve the peace we must be true to the ideals of America, to our love of freedom and dignity and justice for all mankind.

These are my goals as your President. They are the goals of a great Nation. With your help, with your prayers, I will continue to pursue during the next four years these policies, and I pledge to you today that as long as I am your President I will never let you down.

Thank you very much. I would be delighted to respond to questions.

I can't see through the lights, but go ahead.

QUESTION: Mr. President, I would like to turn perhaps to an economic rather than a foreign policy question. Will you outline specific programs you will recommend to Congress which will stimulate capital formation and thereby the creation of jobs for our growing working forces?

THE PRESIDENT: I will submit in January a tax reduction program that will have two major prongs. Number one, I firmly believe that the middle income taxpayer in this country over the last decade has been shortchanged, and our analysis indicates that the best way to help and assist that wide range of taxpayers in this country is to increase the personal exemption from \$750 to \$1,000. That will be the fundamental.

I should add that I recommended that to the Congress in January of last year. After fooling around with the tax problem for almost 10 months, they ignored it. But they are going to get it right back on their desk in January and, if they don't pass it, then, we are going to go after them next year, and if they don't pass it then, we are going to go after them in the next election in 1978.

But that would help, as I have indicated, in the consumer area. But, at the same time, I feel that we have to make some reductions in our corporate income tax rates; that you cannot, under the present circumstances, finance the expansion, the modernization and all the other things that are essential at the present Federal income tax burdens that business bears.

So, we are going to approach the problem on the one hand to increase consumer purchasing power at the Federal level and, at the same time, create tax incentives for business to provide more jobs.

QUESTION: Mr. President, Governor Carter has stated that a philosophical goal of his Administration would be to keep the Federal Government's share of our gross national product in 1981 at a level that approximates that of today, i.e., the Federal Government's share of our total economic pie, which stays constant after decades of growth.

Do you subscribe to this goal or would you promote the perhaps more ambitious goal of a slight reduction in the Federal Government's share of our total economic pie by the end of your next Administration?

THE PRESIDENT: I do, and I think we can do it in several ways. Number one, I believe that we can continue sufficient pressure on the Congress to restrain the rate of growth of Federal spending. The figures indicate that for the past 10 years the rate of growth of Federal expenditures has been about 11 percent. And if you project that into the next quarter of a century the problem you, I think, are concerned about multiplies.

So, in the budget that I submitted last January for Congressional consideration reduced that rate of growth by 50 percent or a rate of growth of 5-1/2 percent. We made some headway. The Congress added about \$18 billion over the actual dollars that I recommended for the budget for the current fiscal year, but that is better than they have been doing over the past 10 years.

So, what we hope to do in the future is to continue that pressure so the rate of growth of Federal expenditures keeps going down. I concede you will have to have some increase just because of inflationary pressures. But, if we can make it not a 5-1/2 percent rate of growth but 2 or 3 percent or 4 percent, we achieve part of the answer that I think you are concerned about.

On the other hand, if we can expand our total GNP in this country by a healthier economy through tax reductions so that we can expand our industrial capacity, expand as I said a moment ago, the consumer capability to participate by spending his money rather than having the Federal Government spend it, we increase the pie in size and we reduce at the same time, as I said a moment ago, the rate of growth of Federal spending.

So, I am not going to be satisfied with what my opponent says is apparently a satisfactory division. I think it is wrong and we ought to change it, and my programs will.

QUESTION: Mr. President, I would like to ask a question of a somewhat different nature, with the debates so fresh in our minds.

As a representative of the television media, my station contributed 6 hours of prime time as a public service for the Presidential and Vice Presidential debates which, incidentally, as we all know, were carried by all three TV networks, really leaving the television viewer with very little alternative. (Laughter) Also, many think that these debates have even set a precedent that all future Presidential candidates will feel obliged to follow.

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Do you really think the debates are worth all this either to you as a candidate or to the American public? And, in retrospect, would you have preferred a different format allowing more direct confrontation with Governor Carter?

THE PRESIDENT: Number one, I think the debates should be institutionalized in our Presidential campaigns. I think they could be improved, and I made a comment the other day, I guess after the second debate, that they would be improved if Mr. Carter would answer the questions and I would question my answers.

But to be serious, I do feel that we now have another four-year period, and experts in the media, experts in the academic world, experts from other areas of our society ought to sit down and maybe consult with my advisers, Mr. Carter's advisers, and maybe get a thought or two from either one of us, and I think they should be a part of the political system every four years.

But I am confident there can be improvement in the mechanics and some of the other aspects that I think would help to educate and stimulate the American voter.

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QUESTION: Mr. President, many people in our country, including myself, are somewhat confused as to the exact state of unemployment in this country. Governor Carter has stressed repeatedly that the unemployment is the highest in the nation's history, while you have stated more people are employed today than ever before.

Could you clarify these seemingly contradictory statements?

THE PRESIDENT: I think we are both probably right, but I think in order to understand what appears to be a conflict, the people must recognize that we have the largest work force in the history of the United States. So, when I say we have 88 million people gainfully employed, an all-time high in the United States, that is accurate because we have more potential people in our work force than we have ever had before.

When Mr. Carter says the unemployment numerically is the highest, he is noting a statistic, which is likewise accurate, but only because we again have more people working -- I mean, more people who are eligible or desire work in this country.

Now, one point that bothered me -- and I cite this as an historical fact, not making any comment as to who was right or who was wrong, or whether there was any political blame assessed -- but when Mr. Carter says that the unemployment in the early fifties was far, far lower than it is today -- and it was -- I think it is also very legitimate for me to say, because it is historically accurate, that we had three million five hundred thousand young men and women in the military engaged in a military conflict and today we have two million one hundred thousand young men and women in the Army, Navy, Air Force and Marines.

It is one million four hundred thousand fewer than we had two years ago. It is the smallest active duty military force since Korea, and if we had another one million four hundred thousand on active duty, which we don't have, we could significantly claim that our unemployment figure was quite a bit less.

But, I don't think that is the way to achieve unemployment, or to improve the statistics. We have enough men in the four services, men and women, to do the job to keep the peace, and I want that one million four hundred thousand out in the labor market trying to get a job or working at a job in our civilian economy, and we are still going to take care of the job opportunities of about two to two and a half million new ones every year because we are going to have an expanding economy, primarily in the private sector.

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QUESTION: Mr. President, most economists recognize that plans such as the Humphrey-Hawkins bill, some forms of national economic planning, will necessitate wage-price controls. Would you advocate under any circumstances wage-price controls and, if so, what would be sufficient cause?

THE PRESIDENT: Early in my Administration I took a firm stand -- which has not changed, which will not change -- against wage and price controls, including standby wage and price controls. I don't think they work. Our neighbor to the north, Canada, has had them now for what, 18 to 24 months? Their economic recovery has been slower than ours with many more dislocations than we have had as we have come out of the recession.

Some of our Western European countries to one degree or another have tried them in recent months and their recovery in each case is slower than ours, with the possible exception of West Germany. So, I strongly disapprove of wage and price controls, even on a standby basis.

Our true competitive economic system is the best way, in my judgment, to solve our economic problems and to insure the kind of economic prosperity that we want.

QUESTION: Mr. President, I am afraid our time is running short. The City of Pittsburgh must get to work, and I understand you have a steel mill to visit.

On behalf of our members, guests, officers and directors, I would like to thank you very much for attending this meeting with us this morning.

THE PRESIDENT: Thank you.

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(AT 9:36 A.M. EDT)