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Scowcroft FYI*

THE WHITE HOUSE
WASHINGTON

November 12, 1974

MEMORANDUM FOR:

BOB HARTMANN
BRENT SCOWCROFT ✓
BILL TIMMONS
KEN COLE

FROM:

JACK HUSHEN *JH*

SUBJECT:

Presidential Interview with
U. S. News & World Report

Please read the attached transcript of the President's interview with U. S. News & World Report and make corrections or changes where necessary. The transcript must be returned to Ron Nessen no later than 5:00 pm today if your assistance is to be considered in putting together the final product.

Attachment

U.S. News & World Report

WASHINGTON

2300 N STREET, N. W. · WASHINGTON, D. C. 20037

November 12, 1974

Mr. Ron Nessen
Press Secretary
The White House
Washington, D. C. 20500

Dear Ron:

Ron

The enclosed manuscript is submitted for the President's approval. It has been sized for publication, and the conversational tone, which we feel is important, has been preserved.

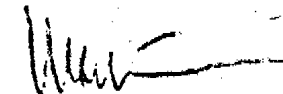
Please make all changes on this original, and, if possible, try to hold alterations to a minimum. John Mashek will arrange return, and will stay in touch with you. Please keep in mind our urgent deadline for the current issue, in which we plan to use the interview.

After return of the manuscript, the President's remarks will not be changed. If requirements indicate, we may eliminate an entire question and answer for space. Otherwise, we will get in touch with you for update or any question of content related to his answers.

Please hold confidential our plan to publish this interview.

Let me take this opportunity to express our appreciation for your co-operation and assistance in making the President's views available to our readers. Immediately upon publication, magazines will be delivered to your office.

Sincerely yours,



Marvin L. Stone
Executive Editor

MLS:n
Enclosure

Washington, D. C.
November 11, 1974

"U.S. News & World Report"

Q Mr. President, before you tell us what you see ahead, can you describe what you consider the chief accomplishments in your first 100 days in office?

The President: I would say the recognition that we had to do something affirmatively about the economy -- inflation and the softening of the economy. We have a good program that came out of our economic summit meetings. I think they were well conducted. They came up with some alternatives that we have put together in a good program. I think that was a major accomplishment.

We have, in my judgment, handled foreign policy in a constructive way. We're moving ahead with our negotiations with the Soviet Union on SALT II -- the second stage of strategic arms limitations. We're working, I think, affirmatively as far as the Middle East is concerned. We have been cooperating with others as far as Greece and Turkey and Cyprus are concerned. There is a continuity of a good foreign policy

and the prospects are encouraging as I look further down the road.

Those are the things that come to mind.

Q On the other side of the coin, what have been your greatest disappointments?

The President: The failure of the Congress to act on Nelson Rockefeller's confirmation, the failure of the Congress to move ahead more quickly on economic legislative proposals that we submitted. And I would have to admit that we didn't do as well in the elections as I would have liked.

But when you look at the election, I don't know of an Administration that had more potentially adverse problems on Election Day than this one -- with inflation at 11 per cent, unemployment at 6 per cent, and Watergate. Now, that's a pretty tough combination.

Q Did the election results change your mind about running for re-election in 1976? Is it still your plan to seek the

office again?

The President: Yes, it is.

Q Previously, you had said you probably would run --

The President: I intend to run.

Q Looking ahead on the economy, when do your advisers predict an upturn in business?

The President: They believe if Government does the right things now, we should have an upturn the second half of 1975.

And we will also be at a point that the rate of inflation is down to 6 to 7 per cent.

If we do the wrong things now, we will be building up to a very bad potential economic picture in 1976, with inflation as high, if not higher, than it is now and the economy in a very unstable, uncertain condition.

Q By the wrong things, you mean --

The President: Failure to fight inflation and, instead, taking too many stimulative actions.

Q Do you think the overwhelming Democratic majorities in Congress that resulted from the November 5 election and the fact that you are not an elected President jeopardizes or undermines in any way your ability to govern in the next two years?

The President: The election on November 5 put the Congress right with the President as far as responsibility and accountability are concerned. I'm not going to get into which one is actually higher. Both of us have a serious responsibility. But Congress also has to be accountable. And if Congress is irresponsible -- and I hope it isn't -- the time of accountability, as far as they're concerned, will be November of 1976.

I think we can work together. But I think the responsibility that I have as President is equal to that that they have, the majority in this new Congress. And I'll cooperate with them. But they're accountable. The Democrats

won an election. They have overwhelming majorities. They have to assume this responsibility. At the same time they have an accountability.

Q In the lameduck session that is to start this week, Mr. President, what do you expect to emerge?

The President: I'm hopeful that Congress will act on the major things that I'm proposing that they concentrate on. There's an important list that starts, of course, with Nelson Rockefeller's confirmation, the confirmation of the 46 individuals that we sent up there for various personnel appointments, the basic proposals that are incorporated in our economic program.

Q Is there any danger to the country in delaying the confirmation of Mr. Rockefeller as Vice President?

The President: Very definitely. There's no excuse, in my judgment, for not acting affirmatively on the Rockefeller confirmation prior to adjournment.

I don't know whether the term "dangerous" is the right word. I think it's very undesirable to have a long period when the country is without a Vice President. I don't mean to be uncomplimentary to the Speaker of the House or anybody who is next in line. But we have a Constitution that provides for a President and a Vice President. The 25th Amendment established certain procedures for the circumstances that developed last year. I don't think they were anticipated at the time the 25th Amendment was approved, but at least it's a mechanism by which you get a Vice President.

This delay is a very, very bad precedent. I was confirmed in just about eight weeks. I nominated Rockefeller 11 days after I took the oath of office. It's now almost three months since that time.

Q Did you anticipate a delay that long?

The President: No, I did not. Of course, we were hopeful

that he would be confirmed prior to the election.

Now, I would recommend that there ought to be a time limit set on the nomination and confirmation of a Vice President. I think it certainly was the legislative intent that there wouldn't be this long, long delay. And I'm not alleging any motives that are anything but the best, but unfortunately the delay -- and if it goes into the next Congress -- I think would be very serious.

Q Have you seen anything that has been brought out in the investigation so far to show that Mr. Rockefeller is not qualified to be the Vice President?

The President: None whatsoever.

Q Do you plan any changes in the economic program you sent to Congress in October?

The President: No, we do not. We think it was well put together, finely tuned, and we haven't seen any sufficiently significant changes in the economy to justify any major

revisions.

That program, of course, includes a total of 31 proposals, including the limitation on federal expenditures of 300 billion dollars in the year that ends next June.

When you talk about the 300-billion-dollar spending ceiling, you have to get into the deferrals and recisions. I submitted some. I'm going to submit some others. All told, they will include a total of 23 billion dollars in deferrals and 700 million dollars in recisions. That all ties into the 300-billion-dollar spending limitation.

Then there is the tax side. We have proposed the 5 per cent surcharge on the tax on personal incomes of \$15,000 and over and on corporate income taxes plus the increase in the investment tax credit, the preferred-dividend provision, plus the things that are in the tax-reform legislation that's out of the Committee on Ways and Means -- we embrace that even though we don't like every provision in

it. I think there are a number of good provisions included in that.

Then we move into the extension of employment. We move into the CIC -- Community Improvement Corps -- which we think is a better approach under the circumstances to the traditional public-service employment legislation, because it's triggered if you have unemployment, it's dettriggered if the unemployment goes down. They're short-range, short-term projects, so that you don't have things that carry on and on and on.

Q One has the impression that Congress is coming back with its No. 1 priority to fight recession. You're still proposing that they tackle inflation as No. 1. How is this going to affect your package?

The President: I have said over the last several months that inflation was public enemy No. 1. It certainly is, but I must admit that in the last several weeks or last month

there has been a recognition that the softening in the economy is probably as important as inflation. And that's why we have to have this rather finely-tuned program.

At the time we put it together, I was told by Alan Greenspan, the chairman of my Council of Economic Advisers, and others that there was the possibility we would have a softening of the economy. And therefore we backed off of some things that would have been a harder blow against inflation in order to take into cognizance the fact that the economy might slow down, which it has.

So I still think that it's a program that meets the dual problem.

Q One proposal that seems to have upset many people is the 5 per cent surtax on personal incomes of \$15,000 and over.

Is this negotiable?

The President: Whether it's \$15,000 or not is negotiable.

The concept, I think, is nonnegotiable.

We looked at it very carefully and we think \$15,000.

which makes only 28 per cent of the personal-income-tax payers liable, is a fair breaking point. Now, if Congress goes up to \$20,000, \$25,000, they concentrate the burden on the people who are better off financially. But the concept, I think, is sound. It's simple. It brings in sufficient revenue. It puts the burden on the people who are better able to pay. We don't know of a better alternative, and I don't think there is one.

Q Realistically, how do you rate the prospects that Congress will enact your surtax proposal?

The President: I don't think comments made prior to the election are an accurate reflection of what the Congress might do when they come back between now and adjournment.

I did notice, even during that period prior to the election, that there were some who didn't reject it -- and I mean some in the leadership -- but who did qualify it as to the breaking point.

So I think perhaps in the calm after the election and with the need to do something to raise money to pay for these other things in my program, that there could be, and I hope will be, some affirmative action.

Q If Congress doesn't move in this adjourned session, will you renew the tax plan in 1975?

The President: We have every intention of doing so, unless somebody comes up with a better approach as to how we can raise money to pay for these humane, compassionate recommendations we've made to meet the challenges of rising unemployment, the challenges of trying to help the less-well-off meet the problems of inflation.

Q Is there a danger that antirecessionary steps such as income-tax cuts for the lower-income group, more public-service jobs, more liberal benefits for the unemployed will inflate the economy?

The President: To a degree they are stimulative, providing

it costs the Federal Treasury a substantial amount of money and adds to your budget-deficit problems, yes. But hopefully we can offset that with some of the tax measures -- the 5 per cent surtax -- that we're talking about.

Q A primary approach to the inflation problem in your program is to cut Government spending --

The President: Yes, to hold the lid on Government spending and to provide additional tax revenues --

Q What is your realistic appraisal now of how you're going to come out on the budgets for 1975 and 1976?

The President: A lot depends on what the Congress does.

If Congress does what we are proposing for the '75 budget, if they help us cut spending to 300 billion or less, we will have, based on anticipated revenues, about a 5-to-6 billion-dollar deficit. Revenues are now anticipated around 294 billion dollars, in that range.

So a lot depends on what the Congress does on spending

and also whether they raise some of this additional revenue.

But based on existing law, that's about the range -- 5-to-6-billion-dollar deficit.

Now, if you go to 1976, again it relates to what Congress does on deferrals, recisions and a spending ceiling, as well as on anticipated revenues. You could have a deficit -- if you just have a free, uninhibited program based on existing law, existing commitments -- as high as 35 billion dollars. Or with responsible action, you could go as low as 10. In fiscal 1976 you've got a wide range of possibilities.

Q Are you saying that you don't see a balanced budget in '76?

The President: Not unless there is a harsher program than I think Congress, at this stage, is willing to take and, for economic reasons, perhaps harsher than I would like to take.

Q Beyond the area of budget and the economy, Mr. President,

what are your other top-priority proposals for the lameduck session?

The President: The trade bill, I think, is of maximum importance. That really relates to the status of the economy, too, maybe not on the short haul but on the long pull.

There are also such proposals as the mass-transit bill, which is a six-year, 11-billion-dollar program, which provides the option to use funds at the local level for either operating or capital grants.

Q Are there any energy proposals in your program?

The President: Oh, yes. The deregulation of natural gas, as well as many proposals that are part of Project Independence.

We had one or two other energy proposals -- construction of deep-water ports, and the surface-mining or strip-mining legislation. That's a pretty big legislative package, but a number of those proposals are in good shape. The surface-

mining bill is in conference, the deep-water-ports bill is in conference, the House has passed one version of the spending limitation, the Senate has passed another.

So there's enough action already taken that I think, if they work at the job, this Congress can complete it -- and achieve a good over-all record.

Q There's considerable talk that Congress is not really likely to do much in the special session and that it will be 1975, and the 94th Congress, before serious consideration is given to much of your program --

The President: I think time is of such urgency that the Congress ought to enact the major parts of it now -- and hopefully all of it.

For us to say we'll accept something in February, which is the realistic date you could expect a new Congress to move, what with the reorganization, with all the new members coming, the committee assignments, and everything else -- well, if they

don't pass it in December prior to adjournment, it's most unlikely you'll get any action until March, really. And I think that delay is unconscionable when you see the problems we face.

Q As you look ahead to 1975, are you concerned about chances of getting your legislative program through a more heavily Democratic Congress?

The President: The urgency of action is more important than the kind of a Congress we'll be dealing with. This Congress has an obligation to finish its job now. Hopefully they'll do it all, or at least do a good job. We'll have to deal with the realities of the next Congress when the time comes, but what concerns me now is this period of limbo for roughly two to three months. And I don't think the economy, I don't think our foreign policy can await that kind of a span.

Q Do you think the new Congress, as a result of the elections, has gotten a better idea of how to do their constituents

on fiscal responsibility that perhaps didn't exist six months ago?

The President: I would hope so. I haven't seen anything tangible yet, but I am waiting to see how Congress votes.

They're going to have lots of opportunities to make some hard decisions in this very important area.

There are some political commitments, or campaign commitments, that do worry me. Some of the members of Congress seem to be aimed at cutting expenditures by really hitting the Defense Department abnormally hard. This I would vigorously oppose. It's my judgment that the Defense Department -- the facts clearly show it in constant dollars -- has taken a bigger decline than almost any other department in the Government.

So, I would vigorously oppose achieving a fiscal limitation by just clobbering the Army, Navy, Air Force and Marines. I think that would be unwise and I would vigorously

oppose it.

But we've got to wait and see, really, how the new Congress is going to live up to their campaign promises.

Q Did you see any signal in the popular vote that indicated a public urge for more fiscal responsibility in the Congress?

The President: Not directly, but I saw some signals in some of the bond issues that were turned down around the country that ought to be a signal to members of Congress that, regardless of what their own views are, those public votes disapproving expanded programs at the local and State level ought to be a warning to them.

Then there was a Roper public-opinion poll that indicated 76 per cent of the people supported reducing the federal budget. So I think the public is "conservative," in the sense of fiscal responsibility. It's a question of how you achieve that responsibility.

Q You indicated before in discussing the income surtax

that you would be willing to compromise certain aspects of that. In view of the results of the election, will you have to adopt that posture of compromise more and more next year -- or can we look forward to more and more dogfights with Congress?

The President: I would hope that I can work with the Congress. And, as I said to Democratic congressional leaders after the election, I do hope to work with the Congress.

But there are certain areas where, in my judgment, they have to work with me on an affirmative basis: foreign policy, national security, expenditure control, a sound over-all program. What I'm really saying is that it's a two-way street.

Q Suppose the new Congress should again set up machinery for wage and price controls. Would you use that machinery?

The President: I'm very much opposed to the Congress enacting standby controls. I do not believe the circumstances

we face in the economy justify wage and price controls.

And I happen to agree with George Meany that if the Congress wants them, they ought to assume the responsibility and make them mandatory rather than to give to the President standby authority and then say, "Well, you make up your mind."

Q Do you think there is any prospect that the lameduck session will enact wage and price controls in any form?

The President: No.

Q You seem to be talking tougher than you were three months ago in your relations with Congress. Does this indicate some strong disappointment with what you've seen unfolding?

The President: Let us take one particular issue: foreign policy. I had excellent co-operation from the Democratic and Republican leadership in those closing days prior to the adjournment for the election. I got good co-operation from the leaders, but the troops were all over the ball park,

and the net result was, I think, we were handcuffed, we were handicapped in trying to achieve, for example, the initiative which we believe in as far as Cyprus, Greece, Turkey is concerned.

Q To turn away from Congress, Mr. President, are you concerned about the prospect of a 12 per cent contract settlement in the coal strike? What is that going to do to your anti-inflationary program?

The President: Well, it depends on how the 12 per cent is divided. If the 12 per cent were all in immediate cash payments, I think it could be very much against our battle against inflation. If much of it is in some of the other areas, the fringes, it's less harmful.

Q On labor settlements generally, what would you prefer to see as a top ceiling on increases, a ceiling that you wouldn't consider inflationary?

The President: As I recall, settlements in the last quarter

have been averaging about 11.2 to 11.5 per cent. Rather than talk about a specific ceiling, let me say that we've got to keep some restraint here, or you're going to get in a serious escalating problem with the escalator clauses, and it will be harmful in our over-all effort to control inflation.

Q Do your economists see the wage push now as being the primary cause of inflation?

The President: I wouldn't say the primary, but it's a potential major problem.

Q In the area of fuel and energy, do Americans face the prospect of long gasoline lines again this winter?

The President: Supplies of gasoline are higher today than they were a year ago. The figures show that we're really using less now than we did a year ago -- not as much of a cutback or saving as we would like, but at least we're doing better and we have higher stocks of supplies.

Q Does that apply to fuel oil and natural gas, too?

The President: Natural gas, no, I think cutbacks in natural-gas supplies in Baltimore and in several other areas are anticipated, and that is very disturbing. That's why we need the deregulation of natural gas. But if we conserve, if we use our crude oil and divide up the allocation between industrial use and automotive use, I think we can avoid those long gasoline lines.

Q You have indicated in recent weeks that if the voluntary approach to reducing oil and gas consumption did not work you would be ready to impose some tougher measures. When will it become clear if the voluntary approach is working?

The President: I think we would know sometime this winter.

It depends on some variables. If we have an oil embargo, obviously we have to take very stern measures. If we don't have an oil embargo, but we have a bad winter, we may have to take some pretty strong measures. If we have a light

winter and no oil embargo, I think we can probably get along without any tougher measures than we had before.

Q When you say "stern measures," what kind of things do you have in mind?

The President: It would mean, for example -- assuming no oil embargo -- an arbitrary decision to reduce the 6 million barrels of oil imports per day by 1 million or 2 million barrels per day, depending on the need.

It would involve the arbitrary allocation of what part goes to our industrial users, what part goes to the automotive. And we can allocate under those circumstances.

Q The executive branch can do such allocating without further legislation?

The President: Yes, that's what I'm saying.

Q You made a strong speech at the United Nations recently in which you stressed the vital interest of the industrial nations in the flow of oil at lower prices from the producing

nations, and pointed out the dangers if this did not come about. Have you seen any results from that speech?

The President: We're working very hard to try and put the oil-consuming nation group together, and we're making some headway. If we can achieve that and then get a combined or joint working group with the oil producers, I would hope that we could avoid certainly any increases and work toward some decreases in world oil prices. But we first have to take it step by step.

Q As a result of that speech, there has been speculation in the press about the possibility of U.S. military involvement in the Mideast to secure our oil supplies -- Libya and Kuwait being mentioned, in particular. Is this a possibility?

The President: I know of no plan in that regard.

Q Do you consider it irresponsible just to make such comment about military action?

The President: I think it's speculation that is not predi-

cated on any plans with which I'm familiar.

Q How dangerous do you think the situation in the Middle East is now?

The President: It is potentially very serious.

Q Is there a timetable --

The President: I don't like to pick a timetable, just like I don't like to pick numbers in a congressional election. It ought to be obvious to everybody that we cannot go on with the very delicate circumstances that exist between Israel and Egypt, Israel and Jordan, Israel and Syria, or the circumstances of the Palestinian Liberation Organization. Plus we have the problem of the potentiality of another oil embargo, and the potentiality that if we get involved in a confrontation between Israelis and Arabs, the Soviet Union may do what they seemed to be doing in October of 1973 with their alert. All of these are very serious international matters.

Q On another problem area abroad, is the NATO Alliance now in trouble because of the difficulties between Greece and Turkey? Is the whole southern flank of NATO exposed and its position jeopardized?

The President: It certainly doesn't help NATO as a whole and our situation in the Mediterranean to have two good allies fighting over Cyprus. We're working very hard at trying to remedy that problem. But there are ramifications for NATO as a whole that involve the Mediterranean and all the problems of the Middle East.

Q Mr. President, the foreign-aid program looks as though it's in for pretty heavy sledding. Does this bother you?

The President: It bothers me very much. We have an opportunity to move ahead and to achieve some results in the Middle East, and a good foreign-aid program can be helpful. The wrong kind of foreign-aid program could be very harmful.

Q Back on domestic affairs, Mr. President, is the job of

building a Ford Administration structure about finished,
or is it still in a transitory stage?

The President: We've made a lot of headway. We are continuing to move in the right direction without getting into this or that position. But I think we've made great strides and we're in good shape for January when the new Congress convenes.

Q There have been some criticisms that a Ford Cabinet is not yet in existence, that there still is too much of a Nixon Cabinet. Do you have plans in mind relating to that?

The President: I don't think it's appropriate for me to discuss something like that at this time. We have reorganized the White House. And that was the major problem that we have had. I think there are some excellent members of the Cabinet -- and I don't mean to imply that all of them aren't good. But we've done the first job, and we'll see how it goes from there.

Q How do you like your job, Mr. President?

The President: I enjoy it.

Q Is it too big for one man, as some scholars have suggested?

The President: No. I've got a real good staff, and -- bearing in mind that the change in Administration happened almost overnight, and the serious problems we have had -- I think we are handling the job effectively.

(END INTERVIEW)