The administration has undertaken a series of initiatives over the past year to strengthen the U.S. merchant fleet. The Department of Transportation and other agencies have cooperated on efforts to reduce the regulatory burden on U.S. shipbuilders and ship operators. The administration has also supported the maritime industry's efforts to streamline the liner conference structure.

The U.S. maritime industry has been particularly hard-hit by the recession from which our economy is now emerging. The unique circumstances surrounding our competitive sale to Egypt of wheat flour provided an opportunity to ensure that the U.S. merchant fleet will remain a vital force in shipping the products that U.S. farmers grow for the world market.

Domestic and Foreign Issues

Question-and-Answer Session With Members of the Sperling Breakfast Group. February 23, 1983

1984 Presidential Candidacy

Mr. Sperling. The first question—I'm taking this question, really, away from Bob Novak. He said, "I bet you're going to take my question, the running question." I said, "Yeah, I'm first. I'm going to take it away from you, Bob." And there you are.

But we had the Republican national chairman at breakfast the other morning—a couple of weeks ago, in fact—and among other things, he said that he very much wanted a signal from you, Mr. President, as to whether you'd be running or not. In fact, he said he needed it very badly. And I just wondered, perhaps, could you help the poor fellow out this morning? A signal whether you're going to run or not.

The President. Well, I think the one thing that we just have to face and, I think, that he should be willing to live with a while, why, there's a 50-percent chance. [*Laughter*]

Mr. Sperling. A 50-percent chance.

The President. Yes.

Mr. Sperling. You can't make it a 51 or something like that.

The President. I'm not that good at mathematics. [*Laughter*]

Incidentally, may I say with regard to the opening remark about that no one eats breakfast; I ate breakfast first, because they told me I'd be answering questions right away. Rules are you can talk with your mouth full; but go ahead and eat breakfast. It's on the house. [*Laughter*]

Mr. Sperling. Well, I was going to push that a little harder. Can't we get any more on this running bit? This is——

The President. I think—no, I've said repeatedly, I think there is a timing to this. And I think that the people sort of indicate and help in making up the decision. I think to do it too early leaves you open to the charge that everything you try to do is based on politics. And if you say the other way too soon, why, you're a lameduck prematurely. So, I think it's a decision that I will come to and I will make at what I think is the appropriate time.

Mr. Sperling. Well, through the years, for a number of years, Pete Lisagor was right at my right hand, the great reporter Pete Lisagor, and perhaps the best questioner in this city. And about this time he would come in with his question. He'd say, "Well," I'm sure he'd say, "Mr. President, with regard to running again, are you salivating a little bit?" How do you come up to the Pete Lisagor salivating test?

The President. Well, between sweating and salivating—[*laughter*]—it's—some days are just better, and some days are worse than others.

Mr. Sperling. No, with regard to running for the Presidency, is it looking better to you all the time?

The President. Well, the economy's looking better. I'm being crowded on this. But I just—I can't have an answer at this time.

Mr. Sperling. All right.

Lebanon

Q. Mr. President, Rick Smith, New York Times. You said yesterday in your speech that your government was prepared to do everything that was necessary to help secure Israel's northern frontier. What does that mean, Mr. President? Does that in-

volve putting American marines or troops down in southern Lebanon to police that area? Or does that involve some kind of international arrangement? Did you have specific ideas in mind?

The President. Well, yes. This isn't anything different than has been said before by me and by several Presidents before me, that this country has always maintained that it has an obligation to the security of Israel. But in this particular instance, I was answering the question, and I thought I made it plain that I was talking about with the withdrawal—that in the aftermath of that withdrawal, we were prepared to guarantee their safety on the northern border.

Let me recall to you that that was the reason for the invasion in the first place, that there was shelling and rocketing across that border, taking its toll of casualties in Israel. And our idea of trying to settle the Lebanon thing before we get into the actual peace negotiations, I think, is a sound one, after all the years of disruption there, to give the Government of Lebanon a chance to stabilize its country and assume its control and sovereignty over its own territory.

Now, in that instance, I have already said that we, in consultation with our allies in the multinational force, would be prepared until Lebanon was actually stabilized and able to guarantee this safety, that we would be willing to enlarge the multinational forces. This is, of course, in consultation with our allies, as I said before, and, thus, ensure the safety of those borders until this process is completed, until Lebanon is ready to take over the protection of its own borders.

And so, there isn't anything new in that. And I was a little surprised at the wind that started blowing after I said it.

Q. How much of an enlargement of forces do you have in mind, sir?

The President. What?

Q. How much enlargement of the multinational force do you have in mind?

The President. Actually, we have not dealt in figures yet. That would, I think, have to follow a military review of what the responsibilities would be.

Tax Withholding on Interest and Dividends

Q. Jack Kilpatrick, Universal Press. Mr. President, about 250 Members of the House have sponsored bills to repeal the withholding of the tax on interest and dividends. And more than 50 Members of the Senate also are undertaking to repeal that withholding provision. If that bill should pass, would you veto it?

The President. Well, Jack, I've always kind of held to a rule that until it's—I'll talk about vetoes in general principle. But until it actually gets to my desk, I've always said in the legislative process, sometimes an orange becomes an apple. And I'll wait and make that decision. But I do think that they're entirely wrong. And I think that a great lobbying effort has resulted in much distortion.

First of all, if anyone looks at the withholding that we imposed, it, first of all, protects all those people that they seem to be worrying about at the lower level of earnings. It protects all the senior citizens, everyone over 65. They would not be affected by this.

And it's not aimed in any way at increasing tax, as has been mistakenly reported, on the people that are receiving these interest and dividend revenues. It is aimed at catching the people that are using this device to avoid paying an income tax they legitimately owe. And we have found that that is one of the big parts of our noncollection of taxes that are owed. And this, we figured, was only fair to the people that are going out there and paying their taxes, to see if we couldn't get a handle on those that are avoiding it.

Environmental Protection Agency

Q. Mr. President, Bob Fichenberg, Newhouse Newspapers. In view of the increasing criticism of the EPA, some of it now coming from Republicans, do you have any plans, specific plans for improving the performance and the credibility of the EPA?

The President. Well, if it will improve the credibility, one thing, yes, we're—any of the allegations, any of the accusations—and I must say that I haven't found much substantiation accompanying those—but any of those are immediately turned over to the

Justice Department, and the FBI is investigating and tracking down every charge that's been made. We have worked out this arrangement now while protecting executive privilege, but at the same time, because of some of these charges, and we want the people to have confidence that they will have access.

The other thing that I've been struck by in all of this—that so little attention has been paid to the fact that from the very beginning, the director of EPA was willing to make available to the Congress almost 800,000 documents, and fewer than a hundred, the tiniest fraction of a percent, were withheld because—and on the advice of the Justice Department also that these were investigative reports and that these were things that could compromise litigation that might take place.

Now, this arrangement, as I say, has been made. But I don't feel that I have the right, in custody temporarily of this institution, the Presidency, to set a precedent that takes away from that institution some of its legitimate rights and functions. And one of those is executive privilege.

Views on the Presidency

Q. Mr. President, I'm Andy Glass of the Cox Newspapers. Picking a convenient reference point like Budge's 15th anniversary breakfast, which would have been very early in your Presidency, and looking back to that time when you had just come here, can you assess in your own mind and your own feelings how you think you've done in these 2 years since—what your disappointments are, what your, perhaps, accomplishments, as you see them—a self-report card, if you will?

The President. Well, a disappointment would be that we didn't get all the things we asked for in our economic proposals. I think we'd be better off today if we had. But I'm pleased that we got as much as we did.

I've had 8 years experience, almost 8 years, as a Governor, with a legislature of the opposite party. So, I knew exactly what I was up against. But I think the very fact that the debate has changed from people of my persuasion, the Republican Party, fighting rearguard actions trying to slow down the growth of government and halt the imposition of new social engineering programs—the debate today isn't whether to reduce spending; it's how much to reduce it—and I think we've changed the whole tone of the debate that has been taking place over the last few decades. I'm very pleased about that.

But we have made progress. We have sizably reduced the percentage of increase in government spending. You don't come in—I don't think there's any way that you come in and actually reverse spending and come in with a budget of less money than was spent the year before, and certainly not in a time of inflation. But we have brought inflation down.

The last few months it was running at only a 1.1 annualized rate, 3.9 percent for the year, down from double digits. That, in turn, brought down the interest rates. The economy has started to turn. And I've just noticed that Time magazine's whole battery of economists has substantiated that and are referring to the recession as being over.

I think that in that, in the foreign policy we were quite amazed at how much in disarray we were back at the beginning of this administration, what we found with regard to the feeling of our allies, our relationship with Latin America neighbors and our defense posture. And I think there's been a drastic turnaround in that. I don't think relations have ever been better between us and our European allies and Japan. We've made progress—our relations over in Asia—and there's no question about the improvement of our defense posture.

International Summit Meetings

Q. Mr. President, I'm Bart Rowen of the Washington Post. I'd like to ask you, sir, a question about summits. Secretary Shultz said the other day that there's no—there would be no fixed agenda for the meeting in Williamsburg, that the basic idea is for you and other heads of states to have a chance to have a private meeting, private exchange of ideas together. I'd like to ask you, first, what you expect to accomplish, specifically, at Williamsburg and, secondly, in light of your experiences in Ottawa, Cancún, and in Versailles, whether you think that summitry—is it still a useful tool

in the formulation of goals and strategies for governments?

The President. Yes, I do. I have always believed that you only get in trouble when you're talking about each other, not when you're talking to each other. And the reason for this change is because some of the summitries became so formalized and, by the time people organizing at the ministerial level had finished their chores, you found that you were actually arguing about the communique that would be released, summing up what had been done at the summit. And you were talking and arguing about that before the summit had started. And it became very formalized.

Now, we're all in that summit on a first-name basis. And some of us informally talking in the previous summits have talked about why not have a meeting and get around the table and just throw the subjects out on the table, what are the things that are of concern to us, what are the things we think we can do together, and so forth. And so, being the host this time and, therefore, having a voice in that, I communicated with my colleagues in the other countries on that basis. And they were all delighted that we'll come here and—

Yes, there are always points of difference and things that have to be ironed out. But there are also things which we're in great agreement on. So, we're not going to have that kind of a formal agenda. We're going to treat with all the problems that are of concern to all of us, whether they have to do with trade, whether they have to do with our mutual defense posture, all of those things.

Social Security

Q. Mr. President, Ted Knap of the Scripps-Howard Newspapers. The Social Security Commission recommended that the full retirement age be increased, be raised to 66 after the year 2000, and that legislation be enacted promptly so that——

Mr. Sperling. Ted, we'd like to have you use the mike.

Q. I thought I was.

Mr. Sperling. You have to pick it up to use the—they tell me.

Q. Sorry.

Mr. Sperling. Sorry, too.

Q. The Social Security—is this okay? Can you hear me?

The President. Yes.

Q. The Social Security Commission recommended that the full retirement age be increased to 66 after the year 2000, and that legislation be enacted promptly so that people could plan on that. I haven't heard you express your view on that recommendation. Do you endorse it?

The President. Well, Ted, I have to tell you that from our first attempts to do something about the fiscal integrity of social security more than a year ago and the way in which that was immediately and instantly transformed into a political football, I decided this time to make a fair catch and then just fall on the ball.

We have approved the bipartisan commission report for the immediate fiscal problem. We do know that there is now the long-range problem that has not been completely solved. And, rather than make a specific answer there, let me say that we know and are going to be ready to go into, again, study and, hopefully, as bipartisan as this first agreement, as to how we meet that long-range, actuarial imbalance. Now, I'm convinced that things like that—extending the age—will be under consideration. No decisions, of course, have been made, and I think it'd be wrong for me in advance of any such negotiations to start talking about them.

But I think there's a great deal of logic in something of that kind, when you stop to think that when social security started—and quoting the man who created it, who's in his nineties now and who recently had a full-page statement in the Washington Post, that he was revealing the mistakes that they had made in the beginning. And one of them was that longevity was so much less than it is now that they didn't think very many people would get to the age 65 to claim their social security payments. Well, we know how much we've improved in longevity, and I think that it's only right that we should look at that. Is 65 now a proper age when we legally have turned to the age 70 as now a legitimate age for retirement?

Environmental Protection Agency

Q. Mr. President, Pat Furgurson of the Baltimore Sun.

Mr. Sperling. Use the mike. Pick it up, please. We can't hear up here.

Q. Pat Furgurson of the Baltimore Sun. To return to the EPA, which is such a hot subject now, there are some suggestions and some bills being formulated on the Hill to remove the EPA from partisan politics by putting it under supervision of an independent commission similar to other regulatory commissions. What is your reaction to that idea?

The President. My reaction is that it's the wrong way to go. I think that the more government is in the hands of elected representatives of the people and the less it is in the hands of appointed and bureaucratic, permanent structure of government, who are not beholden to the voters and not held responsible or can't be held responsible by them, I think that we improve. I believe that some of the things that are being suggested are part of the same age-old battle between the branches of government, in which the legislative seeks again to reduce some of the rights and powers of the Presidency.

Now, in the overall question of the EPA and what is at issue, it seems to me that once again we're falling in—as I said the other night in the press conference—to that trap of running as if the sky is falling, just on the basis of accusations, without waiting to see if there is merit in the accusation or if there is any substance back of it. The EPA has, in truth, done a fine job. We came in and found a backlog, for example, in air pollution—violations of hundreds of cases. That backlog has been totally eliminated now and a solution found for those problems.

I mentioned earlier the number of documents that we were willing to make available; the fact that we have turned anything that has to do with a charge or accusation over to the Justice Department or the FBI for investigation; and my own statement that I would never employ executive privilege to try and cover up any wrongdoing. So, I think that they're getting way ahead of themselves in what they're suggesting with that kind of a measure.

Arms Control and Reduction

Q. Mr. President, Joe Kraft, Los Angeles Times Syndicate. In your speech to the American Legion, you set forward four principles that would govern this country's approach to the Intermediate-range Nuclear Force negotiations in Geneva. Do those principles in any way conflict with the proposals or ideas advanced by Ambassador Nitze,[1] and if so, how?

The President. No, because from the very beginning, before the Press Club when I made the first proposal about our INF policy and our desire, our goal to try and get zero option, total elimination of that class of weapons and wipe them out of the world, I also said then and have reiterated it many times that we, on the other hand, were going there to negotiate and would negotiate in good faith on any reasonable proposal, any legitimate proposal that might be presented. And we're still willing to do that.

We still believe that the morality of the position we first took, that that goal should be the ultimate goal for all of us, to get rid of the most destabilizing weapons in the world, interballistic missiles—or ballistic missiles, I should say, of an intermediate range, in which in a matter of just 5 to 7 seconds are zeroed in on virtually every target in Europe, but only from one side.

Now, so far, the Soviet Union has seemed to want to continue its monopoly, that they have shown evidences of being willing to reduce to a certain extent their weapons, but in return for that, we would have to remain at zero. I just think this is a threat that we can't tolerate.

Q. My followup. Does that mean, sir, that the Nitze proposals, as far as this government is concerned, are still in play? (A) And, (B), in view of the distinction you've just made between short warning and more lengthy ones, do you make a distinction between the Pershings, that are in our original proposal, and the cruise, which take longer to arrive?

The President. Well, there's a very great difference between the two weapons. One of them takes several hours to get where

[1] *U.S. Representative to the Intermediate Range Nuclear Forces talks.*

the other gets in several seconds.* But I'm not sure, Joe, that I understand just what proposal you're referring to from Nitze.

Q. Paul Nitze, I believe, went for a walk with the Soviet delegate and aired a fairly—it's now been aired pretty widely—a proposal that I think is not in conflict with the four principles you enunciated. And my question really goes to the issue of whether, from your point of view, the Nitze proposals are still alive.

The President. The only thing that I—no, he referred to us a hint that had been dropped by the man he walked in the woods with, but nothing that he had said back. And that proposal from the other side was an indication that they might look more kindly on cruise missiles than on the Pershings. Well, again, I don't think cruise missiles alone would be a deterrent to the SS–20's.

Views on the Presidency

Q. Mr. President, Bob Thompson of the Hearst Newspapers. About 3 weeks ago your two most recent predecessors, Mr. Carter and Mr. Ford, got together out at Grand Rapids. And they took issue with your proclivity for condemning everything that happened before you got to the White House and blaming them. I have two parts to this. First of all, do you think you blame them too much? Are you ready to stop that? And, number two, are you ready to take responsibility after more than 2 years for what now goes on in this nation, economically and socially and whatnot?

The President. Well, I'll take responsibility for the fact that the interest rates have come down, inflation has come down, the economy is turning around, the housing starts are up to a figure that they haven't been since 1979. I'll be very happy to take responsibility for that.

I have pointed out at times that those people that say that my economic proposals were responsible for everything that happened from January 20th on—well, you come into office well into the fiscal year with a budget you inherited from the previous administration. There isn't anything, other than we did manage with some management improvements to whittle down by a few billion dollars the budget we'd inherited, the spending proposed. But the economy falling off the cliff, which I think was a continuation of a recession that started in 1979, took place in July. Well, even the first phase of our economic proposals did not go into effect until October 1st. I hadn't even signed the legislation yet when the economy fell in that hole.

Incidentally, let me correct one thing. I find that, while it was indicated that—and there was agreement on some things between the two gentlemen—Mr. Ford was not a party to the statement about my blaming the previous administrations. In fact, he himself is quite outspoken about the fact that, when he was seeking reelection in '76, that the Carter administration invented the misery index, which came about from adding unemployment to the rate of inflation. And his statement was that no man with a misery index of 12½ percent had a right to run for the Presidency. But when I ran for the Presidency, Mr. Carter's misery index was up to 19½. And we have now brought it down somewhere in the vicinity of what it was back in 1976, before he took office.

But I'm trying to get along and to be bipartisan, but I think that it's only fair, when you're accused of being responsible for 21½-percent interest rates and they were that high before you got here, that you point that out.

Q. Has Mr. Ford talked to you personally about the situation?

The President. We frequently are in touch and have conversations, yes.

Monetary Policy

Q. Robert Novak, Field Syndicate. Mr. President, after 2 years in office, do you think now, based on your experience in office, that it is, first, desirable and, second, feasible to restore the gold standard while you are President? [*Laughter*]

The President. I wish I had an answer on that. I must say that is, in economic circles, I know, is one of the great debates that will go on and on. You can point back to history and show that fiat money has never been successful, and in reality, that's what we have is fiat money now. We've had a study

*This was later corrected to read "minutes." [*White House correction*]

that's been going forward on that, and there are many variations of what could be done in partially, let's say, getting metallic money back in circulation.

I can't give you an answer on that, because, as I say, it's something that we're all of us looking at and wondering about. There does seem to be more sentiment against it in this modern day than there is for it.

Q. Could I ask you if you think it would be a good idea, well short of that, to summon an international monetary conference in the near future to discuss the swings in exchange fluctuations and the other difficulties in the financial—international financial structure?

The President. Well, Bob, in that informal structure at Williamsburg, who knows? That may come up.

Q. You would not favor a special international monetary conference beyond that?

The President. That's what I mean, the subject of that, of whether to do such a thing might come up.

Q. Oh, I see.

The Middle East

Q. Mr. President, Jack Nelson of the Los Angeles Times. Some defense officials have expressed concern that the buildup of Soviet missiles in Syria might provoke Israel into making what they would consider a preemptive strike. And now Moshe Arens, the new Defense Minister of Israel, has said that he considers it to be a very unpleasant situation and that if Israel does determine that there's a mortal threat, they would not rule out making a preemptive strike, as they have in the past. I wonder if you share that concern and if the United States is looking at anything that might help address the question of whether there is a military imbalance caused by this missile buildup?

The President. I don't think that anyone can make a claim of a military imbalance. I think the Israelis have proven very much their own military capability in that area. But, yes, it is an alarming situation, all of what's going on. And I think that what we have proposed and what we're trying to accomplish is the answer to it: Get all the foreign forces out of Lebanon, and then immediately proceed with peace negotiations. And we have been working with the Arab nations; we've been working with the Israelis. We believe that the time is now, that there is a feeling on the part of everyone there that peace is the answer to the problems in the Middle East.

Q. Mr. Arens suggested, Mr. President, that there should be no timetable on withdrawal of troops. Do you agree with that?

The President. No, I don't agree. I think time is not on our side in this. And I believe there's no reason why—with the proposals that we've made that the PLO remnants that are still in Lebanon, the Syrians, and the Israelis—why they can't get out of that country—of Lebanon, and let the Lebanese Government try to reestablish itself and establish sovereignty over its own land.

Q. May I follow up one more time? Do you think this should be done, in other words, before a peace treaty is reached between Israel and Lebanon? And do you think there should be a specific deadline that you might mention?

The President. I think that to wait for a peace treaty for the withdrawal of forces is wrong. And I think that that can come about and, I think, full normalization. I think there can be an agreement, an informal agreement there about what they're going to do with regard to withdrawal and the terms of the border. And, as I say, our own willingness then to help in ensuring that there can't be incidents across that border is enough—and then settle down to the business of full, formal normalization with Lebanon. But the longer we delay in this, the more we endanger the possibility of moving on into the general peace discussions.

International Monetary Fund

Q. William Ringle from Gannett Newspapers. Mr. President, in your budget you asked for $5.8 billion for the International Monetary Fund. And this has——

Mr. Sperling. Pick up your mike. That's the only way they're going to listen to you.

Q. I guess it's dead.

The President. No, now it's on.

Mr. Sperling. Pick it up like this.

Q. Oh.

The President. Very directional.

Q. You asked for 5.8 billion for the International Monetary Fund, and this has been

widely criticized as a bailout for the Western banks. And I wondered how, in a time of recession and unemployment, you're going to sell this to the Congress and to the American public?

The President. Well, in reality it's not the actual putting up of eight-and-a-fraction billion dollars, $8½ billion; it's a kind of a bookkeeping arrangement in which you have made this amount of a guarantee. But in the IMF, in return for that, you have drawing rights in that amount on the IMF.

The IMF—it's not a bailout—the IMF is serving a very useful purpose in this time in which the whole world, the international banking situation is walking a tightrope. The IMF makes kind of short-term, brief loans to enable countries to get hold of their own financial situation again and not have to come to the point of defaulting on their loans. And it's served a very useful purpose. So, I think if the people understood properly that this isn't $8½ billion cash that we're going to take out of our funds or add to a deficit—this is a kind of paper transaction underwriting a guarantee.

Natural Gas Decontrol

Q. Mr. President, Allan Cromley, Daily Oklahoman. I'd like to ask how high on your agenda is decontrol of natural gas. And, then, at the risk of sounding like a shill of the oil and gas industry—[*laughter*]—particularly in this group—I'd like to ask why, in your quest for fairness, in the State of the Union message did you single out one industry, that is, the energy industry, for your—to solve the budget deficit as a standby measure?

The President. Well now, I'm trying to recall what words I said about that. I've made a lot of speeches since that one. I don't think I singled it out for any other purpose than that energy is directly related to your industrial capacity, your industrial output.

As to the agenda of natural gas and decontrol, we are in consultation with leaders on the Hill and people in the committees that have to do with that, the energy committees, because when you look at the record of what decontrol of oil did when—I do recall that there was a great deal said about gasoline prices going to $2 a gallon if we decontrolled, and now everyone seems to be distressed because they're below a dollar.

But we've got a—the natural gas controls are so complex that there are probably 28—as many as 28 different pricing classifications, and they were supposed to protect the consumer. But we've had horrendous increases in the price of natural gas under this control. And we are looking very seriously at and, as I say, meeting with the people on the Hill to see if decontrol with protection, real protection for the consumer, is not the answer that we should be seeking right now.

Inflation and Unemployment

Q. Mr. President, Jack Kole of the Milwaukee Journal. In your economic report a few weeks ago——

Mr. Sperling. Mike—grab the mike, please. You have to stick it in your face, I'm sorry.

Q. In your economic report a few weeks ago, you said that high unemployment was a necessary price that had to be paid for wringing the inflation out of the economy. Now, I don't remember that you talked about that kind of pain when you ran for President in 1980. In fact, I think you talked about restoring the jobs that had already been lost at that time. And I wonder, sir, if you would concede that, in fact, you were at least slightly overly optimistic in your 1980 campaign?

The President. No, in the 1980 proposals that I made during the campaign for the economic program that we later put in effect, that was based on all the economic projections that we could get from the best people in that field. By the time of the election and before the Inauguration, economic conditions had so worsened that what I had said in October was no longer appropriate. So, we adjusted and in '81, in office, proposed the plan again. And then came the recession, which I don't think—the added recession, I should say. I still refuse to say that we've had a separate recession, '79 and '80, and another one in '81. It's the same recession.

I think that what happened was that pulling the string on the money supply for the first several months of 1981, maintaining the high interest rates, just continued what

had already started, which was the almost closing down of the automobile market and housing—either one of which can start a recession all by itself. And so, we had this increased unemployment. But remember, unemployment had been increasing for a long period of time.

I, myself, referred to it when—in the campaign in some of the towns in Michigan. Unemployment from Detroit to Flint and so forth was ranging anywhere from 18 to 20 percent. In a city in Indiana, dependent on the automobile industry, it was more than 20 percent. And, of course, steel and the associated industries from that and housing, from the sheer inability of people to buy a car on time or to get a mortgage for a house—all, then, the associated industries were beginning to grind down and lay people off. No one that I know of projected that severe slump that took place in July. And about 50 percent today of the anticipated deficits is due to that slump.

We think, and there are a great many people outside—we're going to stick with our conservative proposals for recovery and hope we'll be happily surprised. But almost every economic authority, every one who reads the signs, believes that recovery is going to be better than we projected. But to suggest that you deliberately created unemployment to lower inflation just isn't true. And, frankly, I'm not sure that anyone has really established a solid connection between unemployment and inflation.

Defense Facilities; Soviet ICBM's

Q. Mr. President, Ed Prina of Copley News Service. I have a two-part question in connection with defense.

Senator Tower recently has written to his fellow Senators asking them to nominate bases to be closed in their States and/or contracts to be aborted for defense work in their States. As far as I know, only Dale Bumpers of Arkansas, who doesn't want a nerve gas plant in his State, has responded. My question: Have you had any volunteers from either the Senate or the House in this connection?

And the second part of the question, also on defense: Can you tell us anything about the recent testing of Soviet ICBM's, one of which may have been in violation of SALT II?

The President. Well, in the first place, with regard to the Representatives and the Senators and their areas: No, I haven't had any volunteers. I think that John Tower thought that was probably a very good idea, since some of the loudest squawkers against defense spending seem to squawk just as loudly if you suggested that the reduction of some of that spending in their particular district might take place. And I thought it was a good idea that he proposed and make them look realistically at what they were proposing.

With regard to the SALT II treaty, this was one of the objections, I think, that the Senate had that prevented them, under the previous administration, from ratifying that treaty; that it was so ambiguous and that it could best be described as a legitimizing of a continued arms buildup on both sides. But there have been hints and, yet, so far and up until this last case—and I don't have a full answer on that one yet—it would have been very difficult. You could say, "I'm convinced that these are violations," but it would have been very difficult to find the hard evidence to make it hold up in court. This last one comes the closest to indicating that it is a violation.

But there's no question that, while there was a kind of an informal agreement that, since the treaty had not been ratified but was still in existence there, having been signed, that both sides would agree in good faith that they would observe the things that they had arrived at in that treaty. This one, I think, makes it plain: The Soviet Union has really continued its buildup. As a matter of fact, in the INF thing that we talked about earlier, while they came to the table to talk to us about the reduction of intermediate-range weapons, they continued right on schedule adding to their weapons all the time that these negotiations have been going on. They now have 342.

Interest Rates

Q. Mr. President, Gary Schuster from the Detroit News. Are you of the same mind that Fed Chairman Volcker is that interest rates from here on out should be reduced or should be controlled through the redefinition of money supply—M1, M2? Or do you feel that interest rates should be

brought down another percent or two by the Fed—discount rate?

The President. Well, I know that they're very concerned, the Fed, about the road they're walking and how narrow it is and if they give a wrong signal or a signal that might be taken wrong out in the financial markets, that they might in some way set back this recovery which, they agree, is taking place. I believe that with inflation at the level it is, that interest rates can come down more and should, because it leaves the real interest rate higher than is necessary to cope with inflation. And I must say, on the other hand, though, that the Fed has been cooperating. We've been getting along very well after some violations.

Now, what he might have been referring to about M1 and M2 was this recent figure that looked like a big surge in the money supply, and it really wasn't. But it was due to some of the changes in banking practices that had suddenly seen a flood of money go from money funds over into banking and suddenly loom as a great increase in M2. And it really wasn't. And, fortunately, the money markets—there was a tremor, and he thought maybe they were going to panic and think, "Oh, here we go again on another one of those roller coaster rides." But they didn't, and they evidently read it correctly.

Q. You say that the interest rates should come down and can come down. Or do you think they will?

The President. Well, this is up to the banks. They're the ones in the Fed. We have a low discount rate. And there's no reason, I don't think, why the banks could not bring those interest rates down another notch or two.

U.S.-Soviet Summit Meeting

Q. Earl Foell, Christian Science Monitor. Mr. President, if one follows the logic of your answer to Bart Rowen earlier about Williamsburg, you ought to be looking at a summit somewhere along the line of Mr. Andropov, in terms of talking with him rather than about him. One, do you think it's conceivable you will be having a summit meeting with the Soviet leader in your first term? And two, if so, what are the preconditions? Mr. Bush has mentioned one, which seems to be unacceptable. Do you have any others in mind?

The President. Well, always talk about whether I'm reluctant or not. I tried to achieve a meeting with Brezhnev on the basis that he would be coming to New York on the disarmament session of the United Nations. And I guess we know now that he wasn't traveling, anything of that kind because of his health. Other reasons were given as to why he couldn't come to New York. And Mr. Bush stated to our allies in Europe my willingness to meet with Mr. Andropov on one subject—anytime, anyplace.

I think that a summit meeting isn't something that you just, like at Williamsburg, say, "Let's sit down at the table and talk." I think this is different. I think you have to have an agenda and some things to talk about, because you do raise a lot of hopes and expectations in such a meeting.

And we're in communication all the time with the Soviets. It isn't as if there's silence between the two of us. And when and if the time is right and there's some reason to meet, I'm very willing to meet with him.

Q. What factors would make you think the time is right?

The President. Well, right now, I think the ball is a little bit in their court. I think that we need some deeds, rather than words, to indicate that there is something to negotiate, that we could have a meeting and discuss some of the differences between us. These could be on any one of a number of subjects.

We made a move in their direction when I withdrew the grain embargo. But there has been nothing in return that shows that they are willing to make some changes in some of the things that are disturbing to us.

Federal Reserve System

Q. Ken Bacon of the Wall Street Journal. Mr. President, I wanted to follow up on the question of interest rates. Do you think that the Fed should force interest rates down, or they will fall under current Fed policy now?

The President. I think that the policy the way it is right now—that the banks could do this. We've come down from that 21½ to an 11-point prime. The discount rate is

lower than that. But I think it is up to the banks. And I don't know of what the Fed could do to force that. They can't give orders.

Q. Just to follow up, you seem satisfied then with Federal Reserve policy now. I wonder if you could tell us what sort of political and economic considerations you'll look at when you decide whether to reappoint Mr. Volcker as Chairman or to put somebody else in that job. I know you can't tell us what you're going to do, but if you could tell us your framework for approaching that question, it would be helpful.

The President. I have to be honest with you and tell you that I've had too much on my plate to even be thinking about that at this time.

Arms Control and Reduction

Q. Well, I'd like to follow on the arms control. You mentioned the four principles on which you'd negotiate and everything. If you were a betting man, Mr. President, would you bet that there would be some sort of compromise agreement this year as a result of the talks with the Soviets?

The President. I think that there might be some loosening of the Soviet attitude as we get closer to the day of deploying our intermediate-range missiles in Europe.

The Middle East

Q. Mr. President, last September you talked about perhaps restoring the West Bank to Jordanian sovereignty in some sort of federation. Prime Minister Begin rejected that immediately. Last night, in your speech to the American Legion, you talked about the legitimate rights of the Palestinians, which is also a concept that Israel rejects. I just wonder what are your plans for a meeting with Israeli leaders in sorting out where it is you want to go in the Middle East?

The President. Well, we have, as you know, Ambassador Habib [2] and others over there who are working with them in these negotiations. And I'm prepared to do anything that will help bring them along.

I don't take too seriously the statement of positions in advance of negotiations. Everyone wants to preserve their position at their highest price before negotiations, and for them to do otherwise is to give away something they might not have to give away once the negotiations start. So, I think we have to wait until they get at the table.

I think the recognition—and I've stated—that the Palestinian problem has to be a factor in the solution. We cannot go on—that's been the biggest problem now for a number of years—we can't go on with these people in not providing something in the nature of a homeland. On the other hand, no one has ever advocated creating a nation. And so, I just believe that, as I say, that you wait until you get to the table.

And what is the stake for Israel? The stake is security. Can they go on forever living as an armed camp? Their economy's suffering. They have 130-percent inflation rate. And they're having to maintain a military presence that is out of all proportion to their size as a nation. And so, the greatest security for Israel—and this is what's back of our plan—is to create more Egypts, more nations, more neighbors that are willing to sign peace treaties with them.

Now, Israel proved its willingness to negotiate and to comply with things that certainly weren't appetizing to them—in the giving up of the Sinai with Egypt. Well, what we're looking to is the same kind of relationship with most of their neighbors. Maybe not all the Arab States will be moderate. Maybe some of them will still continue to be holdouts. But I believe there's real evidence that the more moderate Arab States do want a peace, and this would involve recognition of Israel's right to exist.

Mr. Sperling. We only have a couple of more minutes. A quick one, Larry.

Q. Mr. President—[*inaudible*]—follow up just briefly.

Mr. Sperling. Well——

Q. Do you think that there is a danger or an intention while these talks are in the offing—that there is a danger or an Israeli intention simply to absorb the West Bank?

The President. Danger—you're not coming through the box here.

Q. Do you fear that there is a danger or an Israeli intention to absorb the West Bank while a stall goes on about these talks?

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[2] *The President's Special Representative for the Middle East.*

The President. I don't know whether they have the means to totally absorb the West Bank at this time, but I think that there's evidence that they've wanted to strengthen their hand somewhat, knowing that this would be a part of the coming negotiations.

Mr. Sperling. All right, Larry, a quick one. We only have about a minute or two.

Times Beach, Mo.

Q. Mr. President, Lawrence O'Rourke of the St. Louis Post-Dispatch. I'd like to ask you about your administration's decision to buy up the dioxin-tainted property in Times Beach. What was your reason—what were your reasons for approving that purchase, and what is your sense of whether you are creating a precedent should similar situations arise in the future?

The President. Well, I think this is an unusual situation there. We have taken more than—from locations more than 300—more than 300 locations these samples. We've augmented the number of laboratories that were checking them and have come up with the findings that there is no question about the hazard for people that are living there. And we are going to go forward with a cleanup, which will take a long time.

But in the meantime, we, the government, for their safety, ordered their people out of their homes. And some businesses are literally destroyed, local businesses there, because of this creating of a ghost town. I think that it was one of the only fair things to do.

Q. Does it create a precedent, Mr. President, for future situations?

The President. Well, if all of the factors came together as they did in that one community, possibly it did.

Mr. Sperling. Mr. President, we're at 10 o'clock. I've seen at least a half a dozen other hands. But I understand you have to leave at this moment.

I tried to be fair. I called them as I saw them. [*Laughter*] I left some people out. Please forgive me; please forgive me.

Q. [*Inaudible*]—great job.

Mr. Sperling. Well, I want to thank you, Mr. President, for giving us this hour. And anytime you want to come over and have bacon and eggs over at the Sheraton-Carlton, just let us know. We'll make room. Thank you so much.

The President. Well, I thank you, and I thank you all for coming. And I know exactly how you feel. I know you're a veteran at this, but this is the way I feel after every press conference. All that haunts me are the number of hands that were up that I wasn't able to recognize.

Mr. Sperling. It never bothers me if you'll just call on me. That's—[*laughter*]. I understand.

The President. But that's what everyone says.

Mr. Sperling. I know, I know. [*Laughter*] I know. Well, thank you so much, sir.

The President. All right. You bet.

Mr. Sperling. Appreciate it.

The President. Well, happy to have had you.

Note: The question-and-answer session began at 9:04 a.m. in the State Dining Room at the White House. The President hosted the breakfast to mark the 17th anniversary of the weekly sessions, begun by Godfrey Sperling, Jr., of the Christian Science Monitor, which bring together Washington officials and journalists for exchanges on current issues.

National Museum Services Board

Nomination of Peter H. Raven To Be a Member. February 23, 1983

The President today announced his intention to nominate Peter H. Raven to be a member of the National Museum Services Board for a term expiring December 6, 1987. This is a reappointment.

Mr. Raven is currently serving as director of the Missouri Botanical Garden in St. Louis, Mo. In addition he serves as Engelmann Professor of Botany, Washington University, St. Louis; adjunct professor of biology, St. Louis University; and adjunct professor of biology, University of Missouri, St. Louis. He is vice president and president-elect of the American Institute of Biological Sciences and has been on the executive