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TELEGRAM NO 1054 OF 31 MARCH

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PRESIDENT REAGAN'S PRESS CONFERENCE

PRESIDENT REAGAN GAVE A NATIONALLY TELEVISED PRESS CONFERENCE THIS EVENING. IN THE PAST, HE HAS HELD SUCH CONFERENCES IN THE EARLY AFTERNOON. BUT THE AUDIENCE AT THAT HOUR IS SMALL AND MOST PEOPLE HAVE SEEN ONLY THE BRIEF EXTRACTS SHOWN ON THE EVENING NEWS. ON THIS OCCASION, THE PRESIDENT DECIDED TO TAKE PRIME VIEWING TIME TO REACH A LARGER AUDIENCE, IN THE BELIEF THAT HE COULD GET HIS MESSAGE ACROSS IF HE TALKED DIRECTLY AND UNEDITED TO THE AMERICAN PEOPLE.

2. THE PRESIDENT OPENED WITH A STATEMENT ON NUCLEAR ARMS POLICY (SEE MIFT NOT TO ALL). MUCH OF THE SUBSEQUENT QUESTIONING WAS DEVOTED TO THE ECONOMY. I AM REPORTING SEPARATELY THE PRESIDENT'S COMMENTS ON EL SALVADOR AND ON THE MIDDLE EAST.

3. DENYING THAT HE WAS "A GREAT STONE FACE", THE PRESIDENT SAID THAT HE WAS PREPARED TO LISTEN TO SUGGESTIONS FOR CHANGES IN HIS PROPOSED BUDGET FOR FY 1983. THE BEST WAY OF REDUCING THE BUDGET DEFICIT WAS TO CUT FEDERAL SPENDING. HIS RECENTLY APPOINTED CITIZENS TASK FORCE WOULD BE LOOKING AT THE DEFENCE DEPARTMENT TO TRY TO FIND SAVINGS BUT HE COULD NOT ACCEPT REDUCTIONS WHICH WOULD SET THE US BACK IN THE DEFENCE FIELD.

4. ASKED WHETHER HE COULD CLAIM THAT AMERICANS WERE BETTER OFF NOW THAN UNDER THE CARTER ADMINISTRATION, THE PRESIDENT SAID THAT HE SHOULD BE JUDGED OVER HIS ENTIRE TERM, NOT HIS FIRST FIFTEEN MONTHS. INTEREST RATES HAD, HOWEVER COME DOWN FROM 21 AND HALF PERCENT TO 16 PERCENT AND INFLATION HAD DROPPED FROM 12 PERCENT TO 4 AND A HALF PERCENT ON THE LATEST FIGURES. THE KEY TO DEALING WITH THE PROBLEMS OF UNEMPLOYMENT WAS NOT SHORT TERM EMERGENCY MEASURES, WHICH INVOLVED AN ARTIFICIAL AND INFLATIONARY STIMULUS ULTIMATELY DAMAGING TO THE POOR, BUT A CONSISTENT ECONOMIC STRATEGY WHICH

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WOULD WIN THE CONFIDENCE OF BUSINESS AND THE MONEY MARKETS. INTEREST RATES WERE NOT TOO HIGH BECAUSE OF ADMINISTRATION OR FED POLICY, BUT BECAUSE THE MONEY MARKETS, AFTER YEARS OF BITTER EXPERIENCE, DID NOT YET BELIEVE THAT GOVERNMENT WOULD HAVE THE CONFIDENCE IN ITS OWN POLICIES TO STAY THE COURSE.

5. THE PRESIDENT WENT TO SOME LENGTHS TO TRY TO DISPEL THE IMPRESSION THAT HIS GOVERNMENT WAS TRYING TO BALANCE THE BUDGET ON THE BACKS OF THE POOR, POINTING TO INCREASED SPENDING ON A WIDE RANGE OF SOCIAL PROGRAMMES. HE MADE IT PLAIN THAT HE WAS NOT PREPARED TO GO BACK ON HIS TAX CUT PACKAGE, ARGUING THAT HAD CONGRESS APPROVED HIS ORIGINAL PROPOSAL FOR A 30 PERCENT CUT, THE CURRENT RECESSION MIGHT HAVE BEEN AVERTED. THE PRESIDENT SAID THAT, WHILE HE SUPPORTED THE IDEA OF A CONSTITUTIONAL AMENDMENT TO REQUIRE A BALANCED BUDGET, IT WOULD BE ESSENTIAL TO ENSURE THAT ANY PROPOSAL INCLUDED A STATUTORY LIMIT ON TAX INCREASES TO PREVENT GOVERNMENT USING SUCH INCREASES AS AN EASY WAY TO A BALANCED BUDGET.

HENDERSON

FCO/WHITEHALL

NAD