

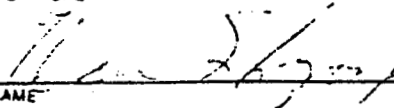
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PART OF A CONVERSATION AMONG
PRESIDENT NIXON, LIDE ANTHONY IACocca,
HENRY FORD II, AND JOHN D. EHRLICHMAN
IN THE OVAL OFFICE
ON APRIL 27, 1971,
BETWEEN 11:08 AND 11:43 A.M.

President: Well, anyway, uh, I want to say first that, uh, on this subject that I'm glad to have you come in and, uh, talk about it. And let me introduce it by, by tr-trying to tell you what I know about it and what I don't know. And then I want to hear directly from you and you can talk to me in complete confidence, I can assure you. And John is a lawyer who says nothing.

Unknown: (Laughs)

President: He damn well better not!

Unknown: (Laughs)

President: Uh, but, uh, my views in this field, I'm just telling you my personal views. Uh, and, Henry, you will not be surprised at this, but, uh, we, uh, [unintelligible] tells me about, uh, the, uh, the, uh, uh, these backgrounds and so forth, but he, he may be surprised, but....

[Unintelligible] views are, are, are frankly, uh, whether it's the environment or pollution or Naderism or consumerism, are extremely pro-business. Uh, we are fighting, frankly, a delaying action in many instances. Uh, we're fighting a delaying action due to the fact, now let me, let me separate two things out: there is pollution. We all know that. You can fly over various places and you can see the stuff in the air. Maybe, there are safety problems, I assume. [Unintelligible] I think they're greatly exaggerated, but there are some. But where there is pollution and where there is safety, the general principle that I

believe in is that, well, then we'll do the best we can to, to, to, to, to, to, uh, eliminate the toxins. But we can't have a completely safe society or safe highways or safe cars and pollution-free and so forth. Or we could have, go back and live like a bunch of damned animals. Uh, that won't be too good, either. But I also know that using this issue, and, boy, this is true. It's true in, in the environmentalists and it's true of the consumerism people. They're a group of people that aren't one really damn bit interested in safety or clean air. What they're interested in is destroying the system. They're enemies of the system. So, what I'm trying to say is this: that you can speak to me in terms that I am for the system.

Unknown: Right.

President: Uh, uh, I, uh, I, I try to fight the demagogues, uh, to the extent that we can. Uh, I would say this: that I think we have to know that, uh, the tides run very strongly. I mean, you know, the, it's the kick now. You know, the environment kick is in your ads, of course. You're reflecting it. Kids are for it and all the rest, they say. Uh, the safety thing is the kick, 'cause Nader's running around, squealing around about this and that and the other thing. And so out of all this sort of thing what we have to do is to get beyond that: one, to do what is right to do, and then, second, what we, having determined what is right to do, we have to determine [unintelligible] we can do, and having in mind the political problem that we have, I mean, down in the Congress, in the things they will pass and the things that they will ask us to do. So, uh, it's, uh, with that in mind that's,

that's, that's the background. Now, tell me the problems you've got with, uh, the industry, with the Department of Transportation, and all these things and let me listen. As [unintelligible].

Ford: Well, I'd like to say first, Mr. President, that, first, we appreciate your taking the time to see us [unintelligible].

President: [Unintelligible].

Ford: We fully understand your time is very limited. Uh, we, I have, have seen all these people: Ruckelshaus and Goalby [sp?] and particularly Thomas in the DOT,...

Unknown: Toms.

Ford: ...so we don't want to have anybody feel that, you know, we're trying to go over anybody's head.

An unknown person entered at an unknown time after 11:08 a.m.

President: Would you like tea or coffee?

Ford: Not a thing.

President: Or coke?

Unknown: Nothing.

President: Right. I'll have tea. [Unintelligible].

The unknown person left at an unknown time before 11:43 a.m.

Ford: Uh, so, we have, uh, the best we can, tried to keep as close as possible. We even set up a special office down here with engineers so that they can be right next door rather than having to come to Detroit and all that kind of thing.

Secondly, I don't think, uh, we want to talk to you today about emissions. It's very political. Uh, it doesn't hit pollution, pollution. It's very political. We lost seventy-

three to nothing, uh; you know, Mr. Ruckelshaus has just come in. Lee's already been in to see him. He's had this big, uh, hearing, uh, the first part of next month. Uh, we would somehow from Mr. Ruckelshaus and how he, uh, runs his test procedures, uh, if he can help us a little bit, we can probably meet the '75 schedule. We hope we can, we're not sure we can. '76 is gonna be impossible because the requirements've been [unintelligible]ed, and we can, uh, fill in more of the details in this because I haven't, uh, been down in the nitty-gritty in the whole thing.

I think the thing that concerns us more than anything else is this total safety problem. And, uh, what we're worried about really, basically, is--this isn't an industry problem--is really the economy of the United States, if you want to get into the broad picture because, uh, we represent the total automotive [unintelligible] supply, industry supplies, dealers, dealer [unintelligible] the whole bit, about one-sixth of G.N.P. Now, if the price of cars goes up because emission requirements is gonna be in there, even though we, though we've talked about this morning, safety requirements are in there, bumpers are in there. And these things are, and that's leaving out inflation and material costs increases, which are also there. We think that the prices of cars are going to go up from next year through '75 anywhere from a hundred dollars to, up to maybe seven or eight hundred dollars in the next four years because of the requirements that are being, that's leaving out the inflation, which we don't need to discuss...

President: Right.

Ford: ... with you this morning.

President: That's a problem, too.

Ford: That's a big problem, but we can't do anything about it.

President: This, this is another, and all this will be reflected in the Consumer Price Index and so forth, even though you're, uh, you're buying a hell of a lot more car, presumably. But, uh, I see, it-it is. In other words, it'll, it'll kick up the price of cars and of all of them, the, the inexpensive ones and the others, too.

Ford: [Unintelligible] we see the price of a Pinto, which now sells for nineteen hundred and nineteen dollars going something like fifty percent in the next three years with inflation part of it, but that's not the big part of it. It's the safety requirements, the emission requirements, the bumper requirements. Now, uh, what we're really talking about? We're talking about trying to put some sense into the Trans-, to DOT and how they go about doing their business. Now, they've been in business for, since '66, supposedly. And, uh, they've had problems, we understand that. But, uh, the cost-effectiveness of what they ask us to do has got to be important. And, uh, they, uh, they are asking us to do things that, uh, in our opinion, are driving our people up the wall because they don't know what to do, and, secondly, they ask us one thing this week and then they cancel that and send us out another direction the next week. They've got bumper standards for '73; they've got different bumper standards for '74; they've got, uh, air bag standards. All of these things, uh, the only

thing that we want to try to, to, to talk to you about this morning is the fact that these things are all going to cost money. If these prices get so high that people stop buying cars...

President: Um-hum.

Ford: ...they're gonna buy more foreign cars; you're going to have balance-of-payments problems....

President: Right. I'm convinced....

Ford: Granted, the foreign [unintelligible] have got to do the same thing, but they're doing it at a wage rate that's half [unintelligible].

President: I know, I know. Sure. Uh, what is, uh, let's talk a moment about the procedures. How do they come in? Do they have hearings on these sort of things at the DOT? And then they issue an order and it's [unintelligible] in the executive register. That's about all I know about it. Now, you understand, I haven't approved any policy on it...

Unknown: Oh, sure.

President: ...yet, but I'm gonna to take a look.

Iacocca: Well, [unintelligible] you directly, Mr. President. They do, they, they have a, a rule-making procedure. And they promulgate these, and the law ha-, gives us sixty days to respond to a rule they put out. After that sixty days they hear from everybody, foreign manufacturers, the Big Four here, and then they put out a standard. Then you have sixty days to decide what you want to do about that. And once it becomes a standard, uh, we're approaching one right now. In fact, on Monday morning, we will

in all probability—I'll tell you honestly 'cause our meeting isn't 'til Thursday this week—but our lawyers and engineers too—we have [unintelligible]—we will go to these, uh, court of appeals. We will have our first major confrontation for real this time. Uh, we've had threats before, but, uh, this brings up this whole issue of, uh, how important is safety. Uh, it's, uh it's a case we're going through, it's not a fad. We...

President: Right.

Iacocca: ...didn't have to kill fifty people on the highway. But I, I feel that, you know, we worry about inflation, and we should, 'cause it's eating us up alive right now, and in the next few years, we feel, it's still gonna be bad, as far as our labor contracts are concerned, our materials....

President: Particularly your labor...

Iacocca: Right.

President: ...[unintelligible] that you already [unintelligible].

Iacocca: And then, then environment next. Pollution, as Mr. Ford indicated, uh, I'm not dismissing inflation and pollution. I'm worried about two things: uh, I'm worried about the, the fact the Department of Transportation, not willfully but maybe unknowingly, is really getting to us. They are not only [unintelligible] of our industry—the, the law has been on the books six years now—through a prior administration, I've been coming down, I used to talk with Dr. Hatton [sp?]. And, and the new group says what he said six years ago, "Well, we're new, and we had trouble staffing with good people,..."

President: Um-hum.

Iacocca: "...and, uh, but we'll get around to it." And I keep saying, "The clock is running and we are wasting money." It, it just kills me to see it starting with Ford. We are becoming a great, inefficient producer, what they're doing to us. And without getting into all the details, what they're doing is taking, I think I should say it this way: as tough as you made the '75 standards, for '75, remember when we had the environmental pollution meeting here...

President: Yeah.

Iacocca: ...eighteen months ago. . .

President: Yeah.

Iacocca: ...with you.

President: Yeah.

Iacocca: '75 seemed tough, and your '80 standards at least gave us a carpet. They're nice but sometimes Mr. Muskie and others, and you know,...

President: Yeah.

Iacocca: ...we got into it, well, why go through it? They're not....

President: [Unintelligible] yesterday. Right.

Iacocca: But now, we're gonna try to do '75. But the good thing you can say about emissions is, give and take some changes in procedures and the like, that Mr. Ruckelshaus knows what his problem is. And he's on top....

President: He has, he hears, uh....

Iacocca: Yes. Well,...

President: ...responsibility there?

Iacocca: Yes. He, uh, and that law is written so that he is on the spot. He is in a dilemma.

President: Yes.

Iacocca: I think his last words to me as I left his office were, "If you come up with any solutions you might want, please give me a call." And what it is, uh, he is given only one year...

President: Um-hum.

Iacocca: ...to establish for every manufacturer in the world--whether they exercise good faith--and he can give 'em a one-year respite from '75 to '76 if they show good faith. The reason I went to see him was how they determine good faith.

President: Um-hum.

Iacocca: And he....

President: He [unintelligible] in terms of his....

Iacocca: Yes, the National Academy of Sciences could help him, but he says, "I am the judge." I said, "Well, I got, I got a budget for you." It's a tough job, because do you mean to tell me that he will have to decide each individual's good faith and decide on that basis whether to give 'em a one-year moratorium? And he said, "Well, yes." I said, "Well, you're going to end up with fifty different standards for fifty different manufacturers. And here's your dilemma: Ford may not be best, but we'll be at least first or second best because we think we have our hand on how to lick this pollution problem."

President: Um-hum.

Iacocca: "Well, you can't take us 'cause you'll outlaw everybody else. You can't take the low, least common denominator. Do you mean to tell me that Fiat, who will appeal"--we've heard already, it said, "We won't even put six or seven percent of our [unintelligible]..."

Unknown:

(Coughs)

Iacocca:

"...over there." So when you consider our resources and our sales in the U.S., uh, in order to show whether we exercise good faith or not, well, we said, "Well, I'm gonna go see." I think he said the att-, [unintelligible]...

President: Yeah.

Iacocca:

... 'cause I realized that the guy who does the best job under this law will probably be penalized most. So there's no incentive.

President: Hum.

Iacocca:

So he knows that problem, Mr. President, but, but the point is he's having hearings on these things the seventh.

President: Yeah.

Iacocca:

I think they will work with us on the technical level, as they should be, early enough to probably, uh, get very close to meeting the intent of the law for '75 and with some degree for '76.

But now take safety. It's six years old. I don't know what the national priority is for safety. But the bureau has no idea what their priorities are. So they keep saying, "Well, uh, we're hot on passive restraints." And of course, we say to 'em, "Well, why did you get hot now? That's another law, but you haven't done much since '66 on the Highway Safety Act. You've done it on motor vehicles." But now, with all this time passing, they're saying put in an air bag. They're saying get the bumpers better. By the way, I [unintelligible] to indicate that we're dragging our feet. We're, we've gotta make our bumpers better because they're rather fragile today. But we know that. The

consumer wants better bumpers, and he wants lower insurance costs. But they have [unintelligible]....

President: I wonder about the, [unintelligible] the bumper thing when they're talking about collisions at two-and-a-half to five miles an hour. [Unintelligible] other words, when people are stopped, the, the speed of the automobile is....

Iacocca: This is parking lot damage. You see,...

President: I see. Oh, yes.

Iacocca: ...the Department of Transportation,...

President: [Unintelligible].

Iacocca: ...Mr. President, with all due respect for them, they, they don't like this bumper craze that's going on, led by the insurance lobby of the United States. And [unintelligible] because they realize that the more we concentrate on property damage...

President: Yeah.

Iacocca: ...the less we may be concentrating on saving life and limb, which was the intent of the act.

President: Yes, I get it.

Iacocca: You see?

President: Right. This is parking lot, of course, bumper, uh, the, the, this isn't going to be taken any, any accident where somebody bangs another car. Now I would think at twenty-five miles or forty miles an hour you're gonna [unintelligible]...

Unknown: [Unintelligible].

President: ...you're gonna break your neck probably. So what it's gonna really do is to get at these, only these collision/loss ratios. Well, they've been [unintelligible]. I get your point. I think [unintelligible]...

Unknown: [Unintelligible].

President: . . . and I understand it now. Go ahead, go ahead.

Iacocca: And even then, of course, it's not to, uh, we got about thirty percent of the [unintelligible] we claim because our total insurance costs today, and no-fault will be a big part of this, I guess, at some point in time.

President: Yeah.

Iacocca: We have thirty percent of our property damage and, and our bumpers will help that. Uh, like our best estimate today is thirteen dollars a year. I'm in a position, I say to Mr. Ford, now no way I'm going to have to give 'em a fifty dollar bumper and he's gonna get thirteen dollars in value, [unintelligible] thirty-nine dollars, he's got eleven dollars, and you've got an uglier car and we're in trouble. But that's consumerism for you. You can't fight everything at one time, you see.

President: Yeah. [Unintelligible].

Iacocca: So we're gonna get the bumper problem licked, although DOT, again, has [unintelligible] the states. If you are in the position of pleading with some agency, uh, federally, to take over, 'cause we've got about thirty states with different laws...

President: Right.

Iacocca: ...and to do thirty different cars...

President: Yeah.

Iacocca: ...well, you couldn't do anything.

President: Yeah, yeah, yeah, yeah.

Iacocca: But their point has been, well, when we write our standards we must write 'em, the law says, the safety law doesn't say you're to work on property damage, so all of their tests are designed to

give you a bumper standard in order to protect hood latches and lights. And some of them, when they see the implication [unintelligible], which is a little far-fetched, but nevertheless, that's the way it's written. But I think for the basic safety standards, now, the key officials over there—I've talked to 'em now, for, you know, two years constantly....

President: Um-hum.

Iacocca: ...and they're dedicated--and they say, "Well, we're gonna get on to this, but we've had problems." And they talk about Naderism, and, uh, you know, the,...

President: Yeah.

Iacocca: ...the great pressure on them and so forth.

President: Yeah.

Iacocca: And I said, "Well, I want to introduce one thing now." We've got a--they haven't told us yet--overall, like we, we don't wanna short clean air. It may be '78, it may be '80, it may be '76...

President: Yeah.

Iacocca: ...but we gotta do that.

President: Yeah.

Iacocca: And you know what the costs of that will be. But on this area of safety, we don't know whether we're trying to cut the, uh, carnage on the highways from fifty to twenty-five....

President: Um-hum.

Iacocca: Somebody made a speech on that, but we're gonna cut it in half, which is a rather broad objective...

President: [Unintelligible]

Iacocca: ...you see. Or they say, "We want..."

President: Yeah.

Iacocca: ...we've got a car by 1980, at 50 miles an hour, head-on, we want to walk away from the crash."

President: Oh, now, [unintelligible].

Iacocca: Well, you see, but now they're writing standards that are twenty miles an hour. Now [unintelligible] us. They're writing 'em twenty but they're saying, "By '74 be ready for test procedures that will take 30 mile." Well, just like bumpers at two and a half create a lot of damage; at twenty to thirty forget [unintelligible]. We're trying to package the, the customer, the consumer here, the citizen and make sure that he isn't injured.

Ehrlichman: Is this Toms's outfit that talks to you about this?

Iacocca: Right, right. Now.

President: He's very, he's the DOT man.

Ehrlichman: The DOT man.

Unknown: [Unintelligible].

Iacocca: I've been in the office of Secretary Volpe a number of times on this.

President: Yeah.

Iacocca: Uh, being real candid with him, I think that they have said in the Department of Transportation that we are dedicated to passive restraints. The citizens of the U.S. must be protected from their own idiocy, so we will put in a sophisticated device that will blow up on impact and package him in an air bag and save their lives. Well, we agreed that work has to be done in this area. But look where we are: they have, this is law; this is the law of the land, now, for 1974.

President: By regulation?

Iacocca: By regulation. They have said....

President: The air bag?

Iacocca: The air bag. Well, they can modify it. See, actually, for sixty days to tell 'em. You know, just last week, I don't mean to be facetious [unintelligible] told a baboon we [unintelligible] any cadavers....

Unknown: (Laughs)

Iacocca: [Unintelligible] on a '74 car, but, you see, we're--our lead time, Mr. President, we're finished with our '72 cars. So anything we do at the last moment to tear 'em up are fixed investments that,...

President: Yeah.

Iacocca: ...well, you're using big numbers, but we have already sunk two hundred and forty million into the safety area. And we have on our cars today a hundred and fifty dollars of, I don't say all gadgetry, 'cause the steering columns, I think, are saving lives, the collapsible column and the like, but the shoulder harnesses, the headrests are complete wastes of money. Every hundred dollars of, uh, those kind of, well, let's call it [unintelligible] that we put on, we have no doubt that it saves lives. Every hundred dollars is a billion dollars a year to get to the safety problem. Now, we already have at retail a hundred and fifty dollars in the car. What we have in safety right now on our books through 1973 into the air bag area is about the four hundred-dollar level on a car. Now, true, maybe we will be real good at it and get it down ten or fifteen percent, but it's gonna

be very expensive. But DOT is making speeches right now saying that up 'til now they've only put eighty dollars in their cars. Well, we [unintelligible] definitions right. We've put in one fifty. We can prove it to 'em. But they say it's eighty, OK? But they say, in quotes—they said it in newspapers, they're gonna [unintelligible] a speech Mr. Toms made—. "Another fifty dollars will clean it up." Which [unintelligible] another fifty dollars; it's another two hundred and fifty dollars, which is five times what he's saying. Which gets me to the crux of it: there is nobody, I mean nobody, whether I talk to Muskie, whether I talk to, uh, uh, someone, uh, uh, Secretary of, uh, Transportation, that ever wants to talk to me as a businessman about costs. And I say, "But we're in the same business as you are. We are not sure what the consumer will demand, and there are certain things he'll never demand," like a clean exhaust pipe. "So for the good of society you need laws to force people to do this." But they've gone beyond this. We don't think that's, they're charging, under the law. We don't think it's that political, and we think when we have inflation on top of pollution, and you can see that safety has really killed all of our business, and it is really [unintelligible] everything [unintelligible]. We're not only frustrated, but, uh, we've reached the despair point. We don't know what to do anymore. Except we're booking numbers—these aren't betting on the [unintelligible]—we're booking these numbers. And I would predict to you that our Pinto will be closer to three thousand dollars in '75 than it is to two thousand now. And in 1990, if

we haven't deterred the Japanese, at three thousand the ballgame's over. We, we can make what I think, uh, our dynamic, uh, viable auto industry into a sick industry.

President: Um-hum.

Iacocca: Now, that's my viewpoint, but I'm, I'm working on '75 cars now.

President: You, you can't, you mean, three thousand would be your low price?

Ford: Oh, yeah, yeah, our lowest.

Iacocca: See, we, we have projected now fifty percent increases. If we do that, just think of what's happening now. Uh, the Pinto car is doing fairly well. The reason we're underpriced General Motors by a hundred and fifty we, we decided to make all our transmissions and axles and, uh, engines entirely overseas. So we have the benefit of low-cost components. Now we're bringing 'em in at nineteen nineteen. Volkswagen is sold out. You can't get one. You've got to wait in line for one. Even now, with our car, our [unintelligible] priced now.

Unknown: [Unintelligible].

Iacocca: We're competitively priced with them. But the Japanese are underpricing us a hundred, too.

President: With what? With their Toyotas?

Iacocca: Toyota, Datsuns. Mr. President, we came from a meeting in Toronto. I was just telling Pete Peterson here. He went through it. And, and you know the number. Ninety-one percent of all radios today in the U.S. are from Japan, ninety-one percent of our total radios [unintelligible], car radios. Well, I say, "Well, it can't happen here," I keep saying to myself. We're up to fifteen percent foreign cars when we've given them our best

shot at nineteen nineteen Pinto, using German componentry to do that. We had to stop 'em. On the West Coast--California, primarily--year to date, about twenty-seven percent of all cars are foreign. In Vancouver, it's up to fifty; Toyota outsold all Ford products in Vancouver.

President: Yeah.

Iacocca: And, and, and ya say, "Well, what has this to do with safety?" Well, it has one big thing to do with it. They are gonna put whatever is demanded by law in this country on at a buck fifty an hour, and we're, we just cracked seven dollars an hour. So their, their pollution standards surely have to meet 'em, but it favors them because they're smaller cars and we'll just have to be competitive and make smaller cars. But, overall, if we dare think of a thousand dollars, I'm hopeful that, by the way on, on our [unintelligible] when we say inflation...

President: Um-hum.

Iacocca: ...[unintelligible] our, our [unintelligible] labor, material costs [unintelligible], it might be six percent increase a year. Uh, maybe we can offset about three in productivity, let's say four in the market we're in now, and you would have, uh, implied, uh, price increases of, uh, seventy-five dollars. Well, we just went through the crunch, as you know. We, we raised them an average of two hundred and eight dollars this past fall, you know, mostly from inflation.

President: Yeah.

Iacocca: Now, if inflation abates, what safety is doing to us is gonna make inflation, in my opinion, look like child's play because the

consumer, he doesn't care whether it's inflation, all he knows is, "I'm a working man," and Ford, who might have pioneered in this area, of all people, is gonna price themselves clear out of the market and we're gonna be in trouble. Well, I, I don't want to over-overstate this to you, but...

President: No, no.

Iacocca: ...I have a feeling...

President: Yeah.

Iacocca: ...that the auto industry—I'm only speaking for Ford—...

President: Yeah.

Iacocca: ...price stability at a point, we are in a downhill slide, the likes of which we have never seen in our business. And the Japs are in the wings ready to eat us up alive. So I'm in a position to be saying to Toms and Volpe, "Would you guys cool it a little bit? You're gonna break us." And they say, "Hold it. People want safety." I say, "Well, they, what do you mean they want safety? We get letters [unintelligible]. We get about thousands on customer service. You can't get your car fixed. We don't get anything on safety! So again, give us a priority." We cannot carry the load of inflation in wages and safety in a four-year period without breaking our back. It's that simple, and, and that's what we've tried to convey to these people.

President: Right.

Iacocca: Now, we're gonna go to court Monday, in all probability....

President: Who'll you take it up in court with, uh?

Iacocca: Well, you see, uh, according to the law our sixty days are up on,....

President: On what matter?

Iacocca: ...on the air bag.

President: Oh.

Iacocca: It's called, it's called Regulation 208, Passive Restraints.
They were....

President: Well, now, this is a, you mean that the Department of
Transportation issues an order, and that brings you to court?

Iacocca: No, they, they [unintelligible]....

President: [Unintelligible] a law [unintelligible]?

Iacocca: Yes, under the Motor Vehicles....

President: [Unintelligible] before.

Iacocca: Yes, but, we didn't take it to court. They backed off. This is
about three years ago. But the Motor Vehicle Safety Act says
they will promulgate a rule. Uh, they will say, uh, "We want at
thirty miles an hour for an air bag to be deployed at, uh, you
won't be, you know, touched, you won't be injured," let's say.
And a, by the way, we have seventy of those proposals out there
right now. Can't, you can imagine, seventy contradictory,
conflicting proposals that we can change our total car.

President: Yeah, yeah, yeah. To save gas.

Iacocca: So, this, this is our, our key problem. But to answer you, Mr.
President, the, we had sixty days. See, they, they, they on
November third said, "Here's what we'd like you to do."

President: Um-hum.

Iacocca: Sixty days--we went to January third--we replied and said, "We
can't do it."

President: Um-hum.

Iacocca:

Forget cost-effectiveness, [unintelligible], feasibility, time, and so forth. OK. Then the end of sixty days, from January third to March third, said, "We heard everybody, but now, here is the standard." Then the law says you have sixty days to say you can meet it or to appeal your case to the Circuit Court of Appeals. And that's the way this law is set up. Now, you know what DOT said to me? "Well, if you"—this man had nerve to say to me—"you should try to get the law changed" because the language is so restrictive, done in '66, when maybe it was a little emotional in '66 at the time, uh, politically. And that they can't even do what they think is good business, which is to say, "Ford, you have to change all twelve of your car lines at the same time, in a given year, because we know it creates havoc with you, and it's very inefficient, very expensive." But it's true; they can't make exceptions. They can't give us, it seems to me they should prioritize what they want done to save lives. They should say, "Ford, now we'll give you three years to phase that in, so you can do a third of your car at a time, and you can start being cost-effective." But there's no such language in the law, except it said that they shall be reasonable in their approach to costs. Well, that's long lost. You see, the law's six years old and, and they just said, "Well, uh, we've got a lot of pressure on us."

President: Yeah.

Iacocca: So this is what's really, I think, the, the load that's breaking our back. I would say that the way it is, inflation in wages might make prices rise twenty to twenty-five percent in

[unintelligible] years. I think we could, I think we could, we could stand that in this country, even though it seems high because it still makes a gap between you and the Toyota and the like. But we are now projecting, uh, price increases between fifty and fifty-five percent. I can almost predict this fall's price increase for you. And, and the fall of '72, because of emissions and safety and inflation again, I think we'll be at the, uh, very close to two hundred dollars a year for two years now...

President: Um-hum.

Iacocca: ...in the next two years.

Ford: The thing is we have for '72 to '75 an increase of four hundred and thirty dollars on the human costs on just safety and emissions, so we've got a big problem.

President: Let me, uh, let me say that the, uh, I understand that under the procedure now that we have [unintelligible]. John knows the, the, the DOT, uh, issues these orders under the law and then they've got to get them. Now what, what presidential authority's involved in, in, uh, uh, only the authority of reviewing what the DOT does?

Ehrlichman: Right. I take it that the department could suspend its order right now if....

President: On what, which?

Ehrlichman: On the, on the air problems.

Iocacca: On behalf of the thing for Monday, I checked this out with our lawyers,...

President: Um-hum.

Iacocca: ...and they could say, uh, because of further evidence or we want continuing discussions, they could suspend it and not force one or more court action on Monday. That we know could be done under the law. Uh, I will say this: [unintelligible] use your name, Mr. President. They said, "We would like you"—to me on the telephone—"we would like you to take this one to court." And I said, very openly, "You mean..."

President: Really?

Iacocca: ...you are trying to put the burden of your shop into ours?" And they said, "Well, you know, we have p.r. problems, too." And I said, "Well, we, we don't want any confrontations in court."

President: Yeah.

Iacocca: "We'd like to argue this out, privately with ya." They said, "Well, enough time has passed that...." Hey, they [unintelligible] for '72, which was ridiculous. Now that they made it to '74, their public posture is, with the Naders and the like, that they let us off the hook. I said, "Well, '74's ridiculous. It's just you started so low." He thinks he's giving us a two-year respite now when in fact it still insoluble; we can't do it. So they say, "Well, why don't you go to court?" And I [unintelligible] pre-judge what the court will do. I think with the evidence we have, they'll probably say, "Will you reconsider it, please?"

President: Um-hum.

Iacocca: But with the clock running it means that we couldn't handle between now and '74 directions from the fall of '73, and they'd just say, "Guess what? You only lost a couple of big cars."

Ehrlichman: How much of a modification in your model is an air bag? I don't know the technicalities of this.

Unknown: [Unintelligible].

Iacocca: Oh, [unintelligible] I don't want to [unintelligible].

Unknown: [Unintelligible].

Iacocca: I have a [unintelligible] on the book, John, right now.

President: [Unintelligible] on the damn thing. [Unintelligible].

Unknown: [Unintelligible].

Iacocca: We have, we have [unintelligible].

President: [Unintelligible] the silly thing.

Unknown: [Unintelligible].

Iacocca: We have a hundred [unintelligible] right now on tests, and guess what? At the last minute we got cold feet. We pulled out an explosive charge because we can't get a volunteer at Ford to drive one.

President: Yeah.

Iacocca: And we were, we were forced....

President: The thing we've got, the thing we have to do, let me, uh, let me say, uh, I, I'll, let me take a look at the whole, uh, John, what I can do here. But the other thing is I want to see what the hell the department is doing in the future.

Ehrlichman: Right.

President: And we've got to have, now you [unintelligible], John, as you know, is the head of the Domestic Council. Now, you take the responsibility of getting Volpe and, and, and Golan [sp?], he charges around, of course, because he's got all this heat, you know, makes him a big hero, uh, to be in. And [unintelligible]

wants to be a hero, you know, and be for this group or that group or the other group. But he's a decent fellow. But point is that I'd just like to see [unintelligible] that's causing it. The other thing is that, uh, uh, if you, you have the time, uh, some time on, either on this trip or on another one, I'd like for you to—maybe you've already done this—to sit down with Peterson [unintelligible] and tell him, just fill him in, take a few minutes, as you have me, on your competitive situation with the Japanese and what is going to happen if you continue on the emission, inflation, and safety....

Ford: We've had a whole policy book on this...

President: Well,...

Ford: ...and we have set down and put 'em on a screen presentation. We've already given it to Paul McCracken last summer.

President: Yeah, well, Paul, I know, is very familiar with your industry, but Peterson now is the head of this investment economic policy thing, and he's, we had, uh, a lot of reading. But it would be worth, just let him hear exactly, you know, uh, uh, uh, exactly as you presented it in terms of how decisions we make may make our industry noncompetitive with the Japs. I can see that, as we have these damn gadgets, and the [unintelligible] light on the seat belts is enough.

Ford: Yes.

President: Uh, I say...

Ford: [Unintelligible].

President: ...[unintelligible] the whole thing. Not on my car, never.

Unknown: [Unintelligible].

President: Never.

Unknown: (Laughs)

President: Never. I'll [unintelligible].

Unknown: (Laughs)

Ford: The dealer's not allowed to take it off. That's another thing, 'cause then he's in violation of the law, too, you see, so you...

Unknown: [Unintelligible]

Ford: ...take it to an independent garage. He can do it.

Unknown: Yeah. [Unintelligible] car.

Unknown: Next thing [unintelligible] cars.

President: Look around and, uh, and, and, baby, baby bug-buggies. I know. It's, uh, well, I shouldn't express, I shouldn't pre-judge the case, and I will not. And that's what counts. I'll...

Unknown: [Unintelligible]

President: ...have to look at the situation, and I will on the air bag thing and the rest. And, uh, and, uh, but, but I think this is an element that had, you see, goes beyond the DOT because it involves America's competitive position, it involves the health of the economy, uh, it involves a lot of things. I mean, now, maybe we can get along this year and maybe next year. But then the next year, because you're, you say that right now you're making up your '74 models?

Ford: Oh, they're already in the can.

Iacocca: They're just about canned.

Ford: [Unintelligible].

President: That's the way it works?

Unknown: Yeah. [Unintelligible].

Unknown: [Unintelligible].

Ford: I think there are many things in DOT, Mr. President...

President: Um-hum.

Ford: ...that could be done if industry [unintelligible]...

President: Um, like....

Ford: ...that you could do by, you know, just callin' 'em up. I'd just say, "Well, let's get some..."

President: Yeah, yeah, yeah.

Ford: "...cost-effectiveness..."

President: I want to find out, I want to find out what the situation is, is, cost-effectiveness is the word.

Ford: That's right.

President: [Unintelligible]. I don't care whether it's environment. Now even on that one, of course, I, I, I mean, I mean, I may be in the minority here, and I think maybe you [unintelligible] impression [unintelligible]. We all feel that's the problem. You realize the problem. The industry's doing a whole lot in the environment field, I mean, in, in the pollution field. Emissions you call them. Uh, the, the question as to whether, whether that '75 kick is, uh,...

Unknown: [Unintelligible] we'll abide by its standards.

President: There's a law, but notice the law requires, I'm simply saying, John, there the law has moved, and that shows you the problem I said that we are not dealing here with just what I believe...

Unknown: [Unintelligible].

President: ...and what we want to do for the industry and the rest. We all

want to do the right thing. The question is doing the right thing at the right time and in a [unintelligible] way...

Ehrlichman: Right.

President: ...rather than doing it in a revolutionary way, too drastic a way, that will just throw the baby out with the bath water. That's what you prob-, that's the problem.

Ehrlichman: Do you, do you feel that there's any balance in the government's approach to this; in other words, is, is the industry represented at any point within the government in the environment thing? We have some balance, because the Department of Commerce gives us a...

President: ~~Yeah~~, [unintelligible].

Ehrlichman: ...2, a sort of counterweight.

Unknown: ~~Right~~.

Ehrlichman: ~~How~~...

Unknown: [Unintelligible].

Ehrlichman: ...now, is there any of that in the safety area?

President: You have, uh, is there an industry council or anything?

Ford: ~~The~~'s a big [unintelligible]...

Unknown: [Unintelligible].

Ford: ...t up by the act when it was originally passed.

Ehrlichman: [Unintelligible] advisory [unintelligible].

Unknown: [Unintelligible].

Unknown: [Unintelligible] advisory [unintelligible].

Unknown: [Unintelligible].

Ford: ~~But~~, no, I'd have to (clears throat). I guess that's maybe one of ~~our~~ problems. There is....

President: [Unintelligible]. What were you getting down to?

Ford: [Unintelligible].

President: [Unintelligible] an individual basis.

Ford: You, you try to....

President: [Unintelligible] the whole industry don't stick together on this, the Dodge, G.M., Ford, naturally Chrysler [unintelligible] this. I mean, the point is that when you really come down to it, is that, uh, [unintelligible] the [unintelligible] while one might be able to do it, the problems of all are really involved here. Down the road, if you continue in this kick....

Unknown: Right.

President: You see, what it is, too, is that we are, we are now becoming obsessed with the idea that...

Unknown: Um-hum.

President: ...a lot of, what, what it really gets down to is that, uh, [unintelligible], uh, it, it is, uh, [unintelligible] progress, [unintelligible] industrialization, ipso facto, is bad. The great life is to have it like when the Indians were here. You know how the Indians lived? Dirty, filthy, horrible.

Unknown: (Laughs)

President: Well,...

Unknown: [Unintelligible].

Unknown: Thank you very much.

Unknown: [Unintelligible] appreciate [unintelligible]. [Unintelligible].

Unknown: [Unintelligible].

President: Now, John is your contact here [unintelligible].

Unknown: All right.

President: Naturally, uh, Paul, of course, has been, but John just on DOT things [unintelligible]. And, uh, let me see the Volpe thing.

Ehrlichman: All right.

President: [Unintelligible] and, uh, particularly with regard to this, uh, this air bag thing. I, I don't know, I, I may be wrong.

Unknown: [Unintelligible]. Thank you.

President: I will not judge it until I hear the other side.

Unknown: [Unintelligible].

President: Thank you.

Unknown: [Unintelligible].

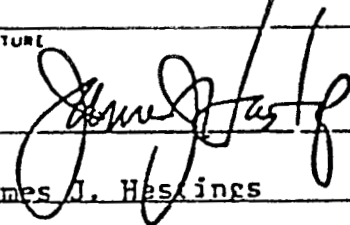
Unknown: I appreciate [unintelligible] this. [Unintelligible]. Oh, [unintelligible].

Iacocca, Ford, and Ehrlichman left at 11:43 A.M.

To all to whom these presents shall come, Greeting:

OR-992

By virtue of the authority vested in me by the Administrator of General Services, I certify on his behalf, under the seal of the National Archives of the United States, that attached reproduction(s) is a true and correct copy of a transcript prepared by National Archives of a tape in its custody.

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PARTS OF A CONVERSATION AMONG
THE PRESIDENT, JOHN D. EHRLICHMAN, PETER G. PETERSON, AND JAMES M. ROCHE
IN THE OVAL OFFICE
ON MAY 13, 1971, AT 2:34 P.M.

PART I

President: I thought it would be useful, if, er, if we could reach out to, ah, [unintelligible], uh, about, uh, about, uh, about a couple of things that, uh, that I think you're already familiar with. John Ehrlichman on this whole safety thing, the environment and the rest. [Unint.]. And, after that, uh, I'd like for Pete to go into the, to, uh, [unint.] the [unint.]. Now, let me begin with, if I can, with my own views on uh, which I, uh, understand from John, that you, you incorporated some of this into a speech which I would thoroughly endorse [unint.] candid about it. Uh, all of us want to clean up the environment. Everybody is for safety [unint.] that proposition. Second, there a lot of people who [clears throat], who claim that they want to clean up the environment and are for the safety, and in, in the name

of those causes really are out to destroy the system.

Roche: Right.

President: Now, uh, also there are well-meaning people who want to clean up the environment and safety and who don't really want to destroy the system, and, but are so obsessed with the issue that they don't look at the cost—in other words, the cost/benefit ratio. Er, hell , everything that w-, man does, he does something bad to the earth for something good. Uh, I mean it's a question of, uh, uh, it's a—

Unknown person: Balance.

President:

--question of balance, and [unint.] only. My views, I have expressed publicly and privately and I expressed in more-- stronger, stronger privately. But, I am very much concerned by those, by the attempts of those who use the environment and the safety issue, to use two, or consumerism in its broader aspects, uh, for what I think are very detrimental and negative purposes. Now, uh, we have to fight sort of a delaying action here. We have to fight a delaying action because it's basically, uh, [unint.] the House and the Senate all read the polls and that sort of thing on these issues. Uh, then, uh, uh, it's the old story. You can't beat something with nothing. So, uh, so therefore, uh, we have an environmental program, we got a safety program, and all the rest. But, you [unint.] I am, I am, I am extremely aware of the, of the difficult position that we put many American businesses in by going overboard on these issues. I'm aware, for example, in the field of automobiles that, uh, when we have, these, er, the

safety standards were too rigid. That, uh, and too, that [unint.] that inevitably it simply weakens an already terribly weak competitive position with the cheaper, smaller European and Japanese—

Roche: [Unint.]

President: —cars. So, uh, for that reason I have played a very hard game with our own people. John Ehrlichman is handling Ruckelshaus. Uh, we do as well as we can, having in mind that we have heavy legislative and, uh, pressures here. But, uh, we'll, uh, we'll find ways to deal with that situation. On the safety side, I can only say that I think that most of those people are crazy. I mean, uh, the seat belt thing with, uh, with the siren going off or the lights flashing and all that sort of thing. Ridiculous.

Roche: Ridiculous.

President:

All ridiculous, and, uh, it's gonna be stopped, or, if it hasn't been. The air bag is what really convinced me.

When I heard of that nutty thing and when the air things come flying off and this and that and the other thing and, and they can't even get anybody to test it, from what I understand, or some can't get 'em tested.

Roche:

[Unint.]

President:

But, anyway, anyway, we're not gonna have it. We're not gonna have it. Now, in, in this field what we really need from you, and what we need from your colleagues in the industry, is that let's be darn sure that, that, I mean, uh, you mean, you, you've got to get on the mountain top, of course. You've gotta be a, basically a business statesman. All presidents of G.M. have to be, because you're so big.

Roche: [Unint.]

President: You've got to be. You, you couldn't survive in, in, in the world today without, without that kind of an image, so called. Now, on the other hand, if you will, eh, you, I want you to have in mind that here, in this place, you have a group of people, at least at the White House level, and we of course have some influence in the Administration—.

Roche: [Unint.]

President: But, uh, we, ah, you have pe-, you have people who philosophically are, are very much in your corner in terms of your competitive position, uh, in terms of, of, of, of, of, uh, trying to defend the system, the business interests and so forth against unwarranted and sometimes, uh, i-it seems to be very unwise attacks. And, if, uh, so if you will, through Ehrlichman, uh, where he, er—I guess

Ehrlichman: On these subjects, I think so.

President: On safety and environment, you [unint.] Ehrlichman.

Ehrlichman: [Unint.]

President: And his man, or if you, it's important enough, just call him.

Roche: Thank you.

President: Uh, he knows how I feel about it.

Ehrlichman: Either, either Peter Flanigan or I, er—

President: Peter Flanigan—

Ehrlichman: --or interchangeably, uh.

President: Flanigan [unint.]

Roche: [Unint.]

President: [Unint.] you can have, and uh, we'll [unint.] Flanigan
[unint.] know him. Uh, so that's, that's it in a nutshell
on that subject. So—

Roche: [Unint.]

President: [Unint.] don't know, but, uh, uh, a-a-and also in, in, in
the industry when you're talking to [unint.] friends, you
tell 'em, you know.

Roche: That's very, very good. I think that's a very constructi
attitude, and I think that, uh, as far as we're concerned
we appreciate it very much, Mr. President. Ah, [unint.]
we're, we're dealing with something that's highly

emotional; we're dealing with something that's highly technical that people just don't understand.

President: Sure.

Roche: If we have an answer to [unint.] the internal combustion engine with all its heat and all the pressure and then everything else that's going [unint.].

President: Yeah.

Roche: [Unint.], er. And we uh, and we don't have, we don't have the [unint.] standards that we, that we're talking about, but we're working very hard. And we're coming close. And we still don't have the [unint.].

Ehrlichman: [Unint.]

Roche: Uh, from a safety standpoint, uh, the, uh--we've been working on safety for a long time. And all you have to do is to look at our record of safety in the United States against any other country in the world. And I understand in the area of safety that, that are present in our vehicles. The industry continues to take the brunt of this battle, uh, uh, notwithstanding the fact that, uh, up to now the Washington safety law, uh, [unint.] legislation that was supposed to require the er, the [unit.] drivers and [unint.] the states, ah, has not been implemented to any great extent at all. What we need, and er, [unint.] enforcement, with half of, half of the accidents being caused by people when they're drinking.

President: That's right.

Roche: And it's just quite obvious that we can never build a vehicle to handle--.

President : The driver rather than the car.

Roche: That's right, and, you look around, you look at some of the old, c-c-cars that are on the, on the highways today. They're improperly maintained. They haven't got good tires. They haven't got good brakes. They haven't got good steering. People are reluctant to come to [unint.] maintenance, unless it's absolutely necessary. Some form of compulsory inspection has got to come before we, we're really going to get [unint.] this problem.

President: Um-hum.

Roche: But we can keep [unint.] payments if we added it [unint.] on automobiles.

President: Oh!

Roche: And if we can figure [unint.].

President: But, I've not been [unint.].

Roche: You said something about the air bags. The air bags
[unint.] might be able to work out. But there are just
terrific problems involved on them. Now, first of all, uh,
nobody knows whether it will last the life of the car. Uh,
nobody knows what an [unint.] inadvertant firing will do.
[Unint.]

President: [Unint.]

Unknown: [Unint.]

Roche: Er, if the thing goes off, er, when we don't expect it,
then what will [unint.]

Ehrlichman: The driver'll have an accident.

Roche: And then, yeah, and then, on top of this is, is, is
[unint.] some appreciation of the legal liability that,
uh—

Peterson: Right.

Roche: —that would be present in this thing. Uh, getting down
the road, uh, say you [unint.] it went off too soon or it
didn't go off when it was supposed to.

Ehrlichman: Um-hum.

Roche: So, these are things, Mr. President, that, uh, concern us
in this [unint.] as I say, I—

President: Well, the thing is that we have got to, uh, that, that the pendulum has swung too far.

Roche: That's right.

President: It's swung too far against business: against your business. And I know it. And, ah, and maybe we can—well I, uh, have not been as, uh, careful about it as we should have. But we were basically fighting, uh,—we, we have a, a Congress which is leaning in that direction. It's not [unint.], but uh—. [Unint.] On the other hand I do, but we, but, but we are determined to, uh, to try to reverse the damage as much as we can.

che: Well, this is [unint.] and,—

President: [Unint.]

Roche: I know that you are and that I [unint.].

President: [Unint.] And I just hope that we can, uh, but you gotta get me the arguments. It would be helpful if, er [unint.]. And, and the whole thrust has got to be we just keep the thrust on jobs. [Unint.] that's the way it just has to be, absolutely convince those other people.

Unknown person: [Unint.]

Ehrlichman: Go to labor unions.

Roche: That's something that people understand.

President: I, uh—. Sure, sure. What do they want to do? Do they wanna, they wanna have all these darned, uh, requirements, and then send the jobs to Germany and Japan?

resident: But, anyway, as far as I'm concerned--

oche: Yeah.

resident: —you put the darn air bags in that car, or those crazy
lights and seat belts, and I'll never buy another
Oldsmobile.

oche: [Unint.] people are looking at trying to meet, trying to
meet the '73 standard right now. Uh, [unint.]—

resident: For which: safety or environmental?

oche: Well, it's for safety.

resident: Yeah.

Roche: Ah, [unint.] the cars [unint.] policy calls for completely passive systems. So what we're trying to [unint.]. But we can't have the air bags, I mean in '73. Yet we're supposed to have a passive system.

President: What the hell do they think?

Roche: Well there, when you look at what this means, at, er, you get in the—. [Unint.] you opening the door of the car and all of these belts fly in place. And then you sit down and you close the door. And all these things lock automatically. So you gotta be belted in. But it looks, it looks just like you [unint.] a circus tent. [Unint.]

Ehrlichman: [Laughter]

Roche: [Unint.]

President: Is that required now?

Roche: It's going to be required, er, either this or the air bag
by 1974.

President: Oh, no, no, no, no.

Ehrlichman: This is the regulation we—

President: [Unint.]

Ehrlichman: This is the regulation we're working on.

Roche: Yeah.

President: No [unint.]

Ehrlichman: And, uh, it'll be about a month before anything surfaces on this—

Roche: Very good.

Ehrlichman: —ah, procedurally. So this is for your private information at this point. But, uh, this, this whole subject is, uh, very definitely, uh—

Roche: [Unint.]

President: Under review.

Ehrlichman: Well, it's more than review. And, I, uh—

President: Yeah, yeah, yeah.

Ehrlichman: [Unint.]

President: Well, we're, we're trying to do it, and, we you just—, I think the best thing for you is to just act as though you expect it all to happen.

Roche: [Laughter]

President: Let me—.

Roche: [Unint.]

President: Just let me tell you that, uh, it's sure is gonna happen and we'll, we'll do our best.

Roche: Well—.

President: And, uh, but, what we have to do, John, is to get a hold of those nuts over there in that department.

Ehrlichman: Ah, we have 'em, Mr. President. I've got a letter here for you that, uh—

President: Well, what I meant—

Ehrlichman: —indicates that, uh,—

President: —is that, is it basically—

Ehrlichman: —Department of Transportation, the Bureau of—.

President: How long has it been there?

Ehrlichman: Oh, it's been there quite a while.

President: Is it someone we appointed?

Ehrlichman: [Unint.] Well, there's a man there that we appointed, who is a victim of the system partly and partly is a zealot, and uh, --

President: Change him.

Roche: And, and partly a victim of the, of the publicity that [unint.].

President: Should he be changed?

Roche: [Unint.]

Ehrlichman: He has, uh, yielded to what he considers to be overwhelming public pressure for this thing--and, uh, without any balance in it, as near as I can tell. Uh, the Secretary understands the problem. He acquiesces in your view on this. And--

President: [Unint.]

Ehrlichman: —I think in about thirty days we'll have 'em both on track.

President: Air bags and the rest [unint.]?

Ehrlichman: Well, it's, its all covered under one regulation. Is this, er,—.

President: Yeah. The way to do it, the way to handle it politically is very simple: delay.

Ehrlichman: Well—.

President: Just delay.

Ehrlichman: If procedurally—

President: Just delay about, about ten years.

Ehrlichman: —procedurally, the manufacturers have filed petitions for reconsideration.

President: Right.

Roche: That's right.

Ehrlichman: And the reconsideration process is underway. And on about the 14th of June is the final date for action on those petitions. So, that's the timeframe within which we're working.

President: You know what, what I feel about it.

Ehrlichman: Yes, sir.

President: I had this [unint.].

Roche: [Unint.]

President: You see, I couldn't say [unint.]—

Unknown person: [Unint.]

President: —basically, a court thing. But it is not.

Roche: No.

President: It's a damn regulation. Under law, as I understand. And let me say that I never want to see it again on my—. I didn't know this law [unint.]. I think that that kind of regulation, you know, is just [unint.] that affects economic and economic impact and that sort of—John, you,

as a lawyer. And I am a lawyer. Your lawyer is gonna—

Roche: —gonna telephone.

President: Well, it's, its, wrong. If—you, you cannot have that kind of uh, e-en-enormous impact without uh, uh—. [Unint.] I can't imagine Congress passing such a law.

Ehrlichman: Well, the Congress is swept up in a number of these [unint.] things.

President: Right, yeah.

Ehrlichman: The, uh, air quality standards hearings are going on now before Bill Ruckelshaus.

President: Oh, yes.

Ehrlichman: And, this was a piece of very tough legislation.

President: Well, the air quality, the air quality is, has one that, is one that has more appeal to people than the other.

Ehrlichman: Well,

President: [Unint.]

Ehrlichman: Well, it has direct economic impact on jobs.

President: [Unint.]

Roche: [Unint.] us.

President: [Unint.], particularly in '75 [unint.].

Ehrlichman: We found that we could—politically, we found ourselves in the situation where we could not go up and simply say to

President: Oh, no.

Ehrlichman: —air quality regulations.

President: No, we [unint.]

Ehrlichman: So, we tried to soften that.

Roche: Then you can't be against safety, either. But, uh—.

President: Yeah, [unint.]

Roche: When, when you take the air bags or take the seat belts and the shoulder harnesses, uh, uh, about 35 percent of the people that ever use the seat belt. And there's only about 4 percent of the people that ever use the shoulder harness.

Roche: Now, you, you should use them. If you're going to have an accident your're—

President: Oh, oh.

Roche: —a lot better off to have them than you are without them. But, the fact remains that they don't use them. And now, what this is is making a, is finding a way to make the use of this stuff mandatory. And, and, and, of course it's going to raise the price of our products—

President: I think—

Roche: —[Unint.]

President: —I think you [unint.] a point, a point that you made that, of course, if the car is more and more safe, then—. And ours, ours are safest. But, it really gets down to

Moche: Yes, sir.

President: They scare you to death!

Moche: [Unint.].

President: [Unint.]

Moche: Well, [unint.] not bad there.

President: Eighty, eighty-five miles an hour. [Unint.]

Moche: They just, they just put the accelerator on the floorboard
and-away they go.

1. :: Go.

er—.

President: Incredible.

Roche: About 2 1/2 times more than [unint.]

President: [Unint.]

Roche: Japan has four times what our is. England is twice as
[unint.]

President: Yeah, yeah. You see, the thing about our accident rate:
people point out that more people are lost each year in
automobile accidents than were killed or will be killed in
the whole war in Vietnam. True. But the thing that
everybody forgets is how many damn cars we've got.

Roche: Er—.

President: Everybody's driving one of these monstrosities. Or

these—. You know, it's a weapon.

Roche: And then we,—

President: [Unint.]

Roche: —and then we couldn't sell [unint.]

President: I could never drive like that.

Unknown person: [Laughter]

President: You know, I haven't driven a car in eight or ten years.

Unknown person: [Unint.]

President: Well, because of the—when I'm in California I could, but
[unint.] I [unint.] learn how to do it now. You get out of
practice.

Roche: Yeah. You have to learn all over again.

President: You've gotta learn all over again.

Roche: [Unint.]

President: You get out on a California freeway with an automobile,
you've gotta practice a little.

Roche: I'm sure you do all right.

President: [Unint.] going seventy miles an hour, and you're driving
car long, you've gotta know whether to turn off here or
there.

Roche: [Unint.]

President: You really wanna be out—.

Earlichman: It's a frame of mind.

President: That's right.

Ehrlichman: [Laughs]

President: Now, the other subject, uh. But, let me say that [unint. mentioned it. Whoever gets [unint.] is, uh, well, is [unint.] If you'll, er, through—you get in touch with Peter, with Pete Flanigan. You're starting—

Roche: [Unint.]

President: —on this.

Roche: —appreciate that [unint.].

President: And, and also, the thing to do is to handle it very discreetly.

Roche: Right.

President: We told—when Ford was here, he, he ra-raised a couple of these points. But, the thing is: be very discreet. Because if it, if it just looks like well, it's the White House doin' it, [unint.]

Roche: Well, that'll, that'll never [unint.]

President: On the other hand, just let us do it. And if, uh—.

Roche: [Unint.] appreciate that.

President: Now, let's come to the, the Pete's, uh—.

Unknown person: [Unint.]

President: Why don't you talk a little the subject you talked about this morning? [Unint.]

Peterson: Well, I've already [unint.] you.

President: I know that you've got good audience, but let's [unint.]

Unknown persons: [Unint.] [Laughter] [Unint.]

Peterson: I don't think that the next couple of—.

President: [Unint.] see you follow upon this.

Peterson: All right, I, uh—.

President: Have, have you discussed with him the business about the Japanese, uh, restrictions, and so forth?

Peterson: Yeah, in general terms, not quite as specific as you [unint.]

President: Well, we aren't able to say yet what we're gonna do, but we're thinking about it.

Peterson: Yeah.

President: We don't know what we're gonna do yet.

Peterson: [Unint.], uh—

President: Pete and Connally are gonna sit down and try to hammer out something.

Roche: Er, [unint.].

President: It's ridiculous, it's ridiculous for them to put all those regulations on [unint.]. And then for us not—

Roche: Plus we had [unint.] market [unint.] all. Uh, I think, however, that the Japanese are um, um, um, are very much concerned about the United States attitude.

President: Sure.

Roche: I just came from [unint.]. As I told Pete—.

President: [unint.]

Roche: In terms of [unint.].

President: [Unint.] exported there. The one—not their biggest, but the one that they [unint.]—.

Peterson: [Unint.]

Roche: [Unint.]

President: Going to be the biggest.

Roche: It's, well, it's going to have to be, Mr. President.

 They've got, uh, Ja-Japan now is the second largest
producer of vehicles in the world. Uh, but, uh, they, up
to now, they've been able to get by with, uh, absorbing
most of their production in, in Japan. But, uh, but I
think they're gonna reach the saturation point in vehicles
in Japan. And that helping—.

President: [Unint.]

Roche: —sustain [unint.] capacity [unint.] on the basis of their
domestic market, which has the ranged from fifteen to
twenty—

Unknown person: [Unint.]

Roche: --percent in most cases, uh, of their total production.

They're approaching a point where they're gonna have to export probably fifty or sixty percent of their, of, uh—

President: [Unint.]

Roche: — [unint.] in order to be viable. And we haven't come up to that problem yet.

Peterson Right. And that's the one you—

Roche: Yeah.

Peterson: —wanna anticipate.

President: Well, of course we won't—you, looking way down the road [unint.] from now they're gonna make it. Because you know, basically, as the Chinese--well, this is, this is dreaming

now, but it's gonna happen. The Chinese think about it. Southeast Asia begins to go up. I mean, in other words, the market down there, the kind of thing you can sell [unint.] countries, I don't—Indonesia, and Thailand, and China itself, and so forth can turn out to be a, just, just insatiable. But right now, in the next ten years, we have a terrible crunch.

Roche:

Right. That's where we're gonna have a crunch. We could also have a crunch down the road, uh, with respect to that uh, uh, uh—I don't know how free this trade is going to be. Uh, we, for example are trying to get into Korea. Uh, at the present time there [unint.] very limited market [unint.] the market. [unint.]. But the price of admission in Korea is gonna be the establishment of a local Korean, uh, automobile industry. So Korea is not gonna be open to 'em.

President: So Korea's gonna build their own autos?

Roche: Korea's gonna build their own automobiles. They are—

President: Yeah.

Roche: —the same as all these Latin American countries, where

President: I know.

Roche: —they're, they're trying to do. And, and then when you get to China, uh, uh, uh, uh [unint.],—

President: They'll have theirs.

Roche: Th-, they'll have their own operation.

President: They have theirs now.

Roche: Or they'll have it on a kind of [unint.]. They'll have it on a basis where [unint.] if you're gonna participate in the economy, you're gonna build them in China instead of, um, instead of in Japan.

President: I see.

Peterson: Mr. President, if you'd like, I can—

President: [Unint.]

Peterson: —reveal, outline the strategy. Um, [unint.] that there are at least three things we very much want from the Japanese: one is the significant revaluation of the yen; -- the second is the lifting of the investment restrictions; and the third is the major curtailment of all those restrictions you and I talked about on imports.

Roche: I agree.

Peterson: Now my thesis is that while they will talk about liberalization, and talk frequently and openly about it,-

President: Yeah.

Peterson: —the speed of that liberalization will be u-, very unsatisfactory from our standpoint.

Roche: Right.

Peterson: And therefore, the way to get 'em to speed it up is to talk something and anticipate it that is of great importance to them. And simply withhold it until, uh, we resolve—not destructive, uh, situation, but one that's fair and equitable.

Roche: Right.

Peterson:

And my view is as I look at their steel planning for '74 and '5--tremendous expansion. You would know more than I about this, but I assume they're planning to use a lot of that steel in automobiles. They look like they're planning major [unint.]. And I think automobiles may be that happy product that's on [unint.] that they're planning on. And any thought that, uh, that might be curtailed is likely to have a great deal more effect on speeding this up than something they've already achieved. And that's in a nutshell what we're talking about.

Roche:

Uh, I think that this is the only language they will understand. I think they're learning a [unint.] about [unint.] I think uh, that, uh, that, that they are going to balk us right down to the last, to the last nut. We're trying to make a deal over there with a company.

Peterson: Would you tell the President, uh, what some of the restrictions are they're putting on you—

Roche: Well—.

Peterson: —so that you can hear 'em? My credibility is in doubt at the moment and I'd like to [unint.].

Roche: Well, well, um, first of all, we, uh, we, we export to Japan U.S. cars, Australian cars, German cars, English cars [unint.]. Combined, we do one-tenth of one percent of the business with all these. And then [unint.].

President: The point, is it worth it?

Roche: But. That—.

President: It isn't worth it—

Roche: No.

President: —to even have a dealer.

Roche: No, no, well we could, we have, I think, thirteen dealers over there, and we have a hell of a time trying to support them.

President: Yeah.

Roche: But they're they, they've imposed taxes on us; they impose weight taxes, length taxes. They impose um, um, surtaxes, duties. The problem is, as, as I told Pete, down, down, in Hot Springs, there,—

President: Yeah.

Roche: —a Cadillac costs thirty thousand dollars over there. And I think they've been very stupid for the United States

because of--first of all, we can't compete, even if they took everything off. Uh, there's no market for United States cars in Japan. If they were smart, they would, they would, they would say, "Well, all right, we'll just take all our, all our restrictions off," and nothing can compete with them in this, this market over there with, with an imported [unint.] for what novelty value a car may have. Uh, but, uh, I think that in a very short study that they could have taken a lot of the heat, uh, off of themselves if they, if they would, uh, do this.

Peterson:

Could you tell the President about your joint venture and how [unint.]—

Roche:

Yeah, well,—

Peterson:

--[Unint.]

Roche: —well, we, we are, uh, are trying to buy a little company over there. It, uh, it manufactures panel trucks, primarily, two passenger cars, [unint.] the name of Isuzu. And, uh, they have a, provision over there that no single outside, uh, interest can own [unint.] percent of the stock, and that no combination of outsiders can own over twenty percent of the stock, of which is the position that they, they take. Um, when you get up to the twenty percent, taking all this [unint.].

Peterson: Um-hum.

Roche: So, um, each one of our subsidiaries would qualify for, uh, an outsider so, uh, they, they've been trying to restrict us to twenty percent. We're unwilling to go in that business with a twenty percent interest. [Unint.] and we have [unint.] we have realized that you can't get, uh, this [unint.]. We're holding out for thirty-five percent.

interest because, er, it would, uh, with thirty-five percent interest, uh, take a third, a third interest and block any change in the by-laws of a corporation in Japan. So, we have, we, we've at least [unint.] that measure of protection. And—

Peterson: [Unint.] him about making available technology and this sort of thing?

Roche: Uh, they, they would like to have an, er, an agreement whereby we will share technology, particularly in the uh, uh, in environmental and in the, uh, safety areas. But primari-, primarily what they want from us, I think is, uh, is, uh, help in designing passenger cars. Then they'll be [unint.] able to become competitive in the Japanese market which the one they're building now is not. [Unint.] the truck [unint.]. Finally, they're at odds, with, with everybody in government and the Ministry of Foreign Trade

[unint.], and I get the same story everywhere. Um, General Motors is a big corporation; the Japanese people expect big corporation like that to be very generous. [Unint.] Japan!

Ehrlichman: Little weak—

Unknown person: I'm not—

Ehrlichman: —little weak people.

[Laughter]

Roche: Yeah. Really weak. The taller the tree, the stronger the wind, you know, this, this kind of stuff. And what it all boiled down to, through, was that they, uh, wanted us to agree to a twenty percent interest,—

President: Huh! God!

Roche: —which we, which we are not going to do.

President: Be out of your mind.

Roche: I made that very, I made that very clear to them. So, uh, but we still don't have the thing locked up [unint.]. And, uh, [unint.] and Miyazawa had to leave for Sydney, Australia [unint.]

Ehrlichman: Well, Miyazawa told us that they had liberalized this restriction, and now our companies were eligible to buy fifty percent.

he: Yeah, but this is a different job. There're two things: [unint.] if we went, if we went in there with a joint venture to set up a new company,—

Ehrlichman: Ah.

Roche: —to say assemble a car, then we could have a fifty per cent—

Ehrlichman: I see.

Roche: —interest. But with Isuzu is, a, is a—

Ehrlichman: —established

Roche: —established—

Ehrlichman: I see.

Roche: —Japanese company, and they draw the line, uh, on that.

And this is of course, is one of the things that uh

[unint.].

President: . . . Now, let's talk about the other thing, uh [unint.].

Part II

Roche: Er, as [unint.] mentions, in some regard we're gonna become a service agent. The United States can never afford to become a service agent. Cannot—.

President: [Unint.] I, I, I agree [unint.] What does, what does that—you mean like Britain, in effect. Is that where the are?

Peterson: Much more [unint.]

Roche: Yes, we'd be exactly like Britain, plus the fact that then we'd be a sitting duck for anybody else who wanted to take another approach. I think we've got to maintain our, our basic industries, and we've got to maintain a, a good strong, viable, competitive, uh, operation here in the

United States that way, if we're, if we're gonna live in the world. And that this theory has been advanced of, you know, uh, of, uh, of, uh, I guess it was a French writer here [unint.], eight months ago—

President: Yeah.

Roche: —uh, about, uh, that, that every nation ought to carve up what they can best do. Uh, they made,—

President: [Unint.]

Roche: —they made the suggestion that the Japs can build automobiles.

President: Yeah.

Roche: And maybe we can build chemicals. Maybe we can provide services, and maybe someone else should build the steel. Somebody else should, uh, make the textiles or something. And, uh, that, now that philosophy, I think would be just suicidal course for the United States.

President: What do you think?

Peterson: That's exactly what I'm talking about in a minimum economy. I think—

President: Why, why do you think it's suicidal, uh—?

Peterson: I think from a power standpoint—.

President: You'll hear if, if, even George Shultz will. And all the pundits say everybody should do what is best. You don't

Peterson: I think that's a marvelous theory on, uh, lowering prices and that side of the fence part of it.

President: Yeah.

Peterson: But let's look at America in two different ways. As a power in the world, A,—

President: Yeah.

Peterson: —and how we're perceived and how we see others perceived and how we perceive of ourselves. And I've been doing some thinking about that, and I've tried to imagine us without several basic industries, and what would happen when the crunch was on. Not just in an emergency sense, but in a power sense, in a trading sense, and so forth. And I have a feeling we'd be looked at very differently.

Roche: [Unint.] do, too. I don't think we are [unint.] If we ever [clears throat], if we ever achieve "peace on earth, goodwill toward men," that would be fine. But I think we're far enough away from that so—

President: We're a long way.

Roche: —we, we've got to go in the other direction.

President: Yeah. We're going to get it [clears throat]; we will have, uh, we'll have the first part. And we'll have peace in the absence of war, in my opinion. I think we can have that. It's a po-, it's—

Roche: That'll be good.

President: —it's, it's in the cards, uh, perhaps within a matter of few years, very shortly. But, but peace in the sense of

"peace on earth," uh and "goodwill to men—" Yeah, well,
uh, uh, I think that the, that the the Catholic translation
is a lot closer to the truth. As you know, it says "peace
to men of goodwill."

Roche: Yeah.

President: Now.

Unknown person: [Unint.] effect.

President: —you show me, it's really true. That's a very subtle
difference that a Ca-, th-, [unint.]. They make—, the,
the Catholic version of the Bible [unint.] "peace to men of
goodwill."

Roche: [Unint.]

President: And, uh, basically if you say peace to men of goodwill, that's uh, that is a long time hence. Now, that doesn't mean that we, er, that we can't, uh, do some awfully generous things. And we have,

Roche: [Unint.]

President: —continued to. But I think, I just think that this country—well, t-take even ag-, well, agriculture happens to be a place where we are number one; we'll probably remain. But I don't think it would be healthy for the United States to quit being, to quit having, er,er, er, 1 agricultural production. I just think,—

Roche: [Unint.]

President: —think it's good to have a few [unint.]

Unknown person: [Unint.]

President: I think it's good to have farmers and—

Roche: If, if, if [unint.]

President: —Huh?

Roche: If it's wonderful to have farmers, then we have to
maintain—

President: Huh?

Roche: —that kind of a system.

President: Yeah. I like that. I have, by God I always want a steel
industry—

Unknown person: Yeah.

President: —in this country.

Peterson: That's right.

President: And I want an automobile industry.

Roche: And you want a, you want a chemical industry.

President: Yeah, and a, and a chemical industry. You want
agriculture.

Roche: Yeah.

President: I don't think we should have given up what is it—radios
that we've given up? We don't make those, or is it
cameras? No, we make cameras, don't we?

Roche: Oh, radios and electronic, er, recorders.

[END of SA 65]