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N E W S C O N F E R E N C E

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AT THE WHITE HOUSE

WITH RON NESSEN

AT 12:05 P.M. EST

JANUARY 17, 1975

FRIDAY

MR. NESSEN: I have spent a lot of time today and last night looking into this ripple effect. I finally figured out what it is. (Laughter.)

At 11:00, the President met with the Administrator of the new Energy Research and Development Administration, Dr. Robert C. Seamans, and with Secretary Morton and with Frank Zarb. This new Administration was established by law late last year, and it was to become effective in February, or earlier, if the President determined, and so the President on Wednesday signed an Executive Order. We have copies of the Executive Order in the Press Office for you, which establishes the Energy Research and Development Administration, effective on Sunday the 19th of January.

Dr. Seamans is head of the Administration, and he will be playing an important part in carrying out those parts of the President's energy proposals that deal with the development of new sources of domestic energy.

This will be the first time that the Government's efforts in energy research and development are centered in one agency, and they will work on various things. One of them, for instance, would be the technology for conserving energy through more advanced types of automobile engines. Also, they will be working on other methods to increase domestic energy supplies in such areas as fossil fuel, nuclear fission and fusion and solar energy and geothermal energy.

A couple of the programs that will have particular importance in increasing the domestic energy supply under the President's program are coal gassification and liquefaction technology. If you will remember, the President said in his speech that he was looking for the equivalent of a million barrels of oil a day to be produced from synthetic fuels by 1985. This is one example of that.

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This new Administration will work on advanced nuclear fission reactors, including the liquid metal fast breeder reactor, and, also, on nuclear fusion programs. This program was in the Atomic Energy Commission, and also the solar and geothermal energy programs will be taken over by this new Administration from the National Citizens Foundation.

The agency goes into business on the 19th, and Dr. Seamans has been working actually for the past couple of weeks getting his organization lined up.

The event that the poolers and photographers just came back from was a meeting between the President and officials of the American Automobile Association. The AAA has drawn up a plan for voluntary fuel conservation.

Back in December, the President met with the Board of Directors of the AAA to talk about voluntary fuel consumption, and the AAA has come up with a program called "Gas Watchers." The idea of the program is to suggest and educate drivers in ways that will enable them, for every six gallons of gas they are using now, to reduce that down to five gallons.

There are press kits of the program; those are those red folders you see some people carrying around. We have those in the Press Office for those of you who want them.

At 12:45 p.m., the President is going to take part in an award ceremony recognizing the achievements of three State legislative leaders, one State legislature and a special recognition award to Common Cause. These awards are given out by the Citizens Conference of State Legislatures, which is a bipartisan public interest group.

The awards recognize efforts to produce open government and legislative reform in the States, and the awards will be presented to the Honorable Price Daniel, Jr., who is a former Speaker of the Texas House of Representatives, the Honorable E. L. "Bubba" Henry, the Speaker of the Louisiana House of Representatives, the Honorable Robert P. Knowles, Former President Pro Tem of the Wisconsin State Legislature and, also, to the Iowa Legislature for legislative improvement and to Common Cause.

As Bill has told you, there will be a limited pool taken in there because so many people will be attending the ceremonies, and we have press kits giving more details of these awards.

The Cabinet meeting that was scheduled for 3:00 p.m. has been postponed until next week. The reason for that is that the President has seen and talked to most of his Cabinet members in the past couple of days about his energy and economic program. So, it was felt that the Cabinet meeting was not needed for that purpose, so it was postponed until next week.

The President will have some activities over the weekend. We don't have a full schedule yet, and we will give it to you as soon as we do.

Tomorrow evening at 7:00 p.m., the President will go to an AFL-CIO Testimonial Dinner for Robert A. Georgene who is President of the Building and Construction Trades Department of the AFL-CIO. That is at the Washington Hilton. The President will speak briefly, and, obviously, there is open coverage of that.

The President will go to the Mayflower Hotel tomorrow evening, later in the evening, where there will be a kind of tenth anniversary reunion of the people who worked on Senator Goldwater's 1964 campaign. (Laughter.)

Q A victory celebration?

MR. NESSEN: What is so funny about that?

Q What time will he get there?

MR. NESSEN: I think he will probably get over to that one about 7:45 or 8:00 p.m., somewhere in that area. We will have a definite scheduling for you.

Q Will there be a pool?

MR. NESSEN: A travel pool, naturally.

The rest of his weekend schedule we will give you as you go along.

I did want to say another word about the ripple effect, actually. I did check up on the ripple effects and talked to some people about it. I really want to apologize for yesterday. I was rushed preparing for my briefing, and, as you noticed, I was rushed trying to get out of here and did not do as careful a job as I should have and should not have taken on technical questions without proper preparation. I apologize for that.

I have talked to the economists here this morning, and they feel that the total effect of both the excise tax increases and the deregulation of old oil and of natural gas, the total effect in raising costs will be \$30 billion.

I should not have talked about the ripple effect and other things yesterday, so let's start fresh and say that the total effect on the economy will be \$30 billion coming from higher excise taxes and from the deregulation. This amounts to a 2 percent increase in the cost of living, which the economists think will be spread over about a one-year period to get it totally phased into the cost of living. They don't believe that there will be what is commonly called a "ripple effect."

A "ripple effect," just to very briefly go into this, is -- let's say you are a manufacturer of a product that uses some petroleum product and at the present time your petroleum costs \$1 per product. The cost will go up to \$1.20 because of the excise taxes and the deregulation.

When you paid \$1 for your petroleum, you sold your product for \$2. If there were a ripple effect, your cost has now gone to \$1.20. Instead of taking the same \$1 profit and charging \$2.20, you might add another 30 cents profit and charge \$2.50. That would be a ripple effect. The economists here don't believe that such a thing will happen, that people will pass on their costs, but not add to their profits. They feel that the best example they have to back up their belief is that, since 1973, when there was an enormous increase in the price of oil for other reasons, there has been no increase in profits and, in fact, there has been a decrease in profits.

Q For oil companies?

MR. NESSEN: For companies which use products manufactured from oil.

Q Haven't price controls been responsible for part of that?

MR. NESSEN: There haven't been any price controls on it.

Q There still are on petroleum products?

MR. NESSEN: What we are talking about is this sort of pass-on effect as the petroleum goes out through the economy.

Q When you say the economists here believe, could you name some names?

MR. NESSEN: Greenspan and Seidman, primarily.

Q Hasn't there been, in effect, a ripple effect in profits of oil companies, a tremendous increase in profits?

MR. NESSEN: Yes, but you won't have that under the President's program because of the excess profits tax. They are talking about any possible ripple effect.

For instance, I heard people talk about airlines, that they might raise their fares more than the cost of their fuel, or fertilizer manufacturers, plastics manufacturers, those kinds of things. Also, I wanted to tidy up a little bit what we talked about on rationing yesterday. I didn't make any mistake on that one, but I also didn't go into perhaps as full an explanation of why the President is so strongly opposed to fuel rationing as opposed to his plan.

The elements I didn't mention in his opposition are, first of all, the added cost of the bureaucracy it would take to run this program. As he said himself yesterday afternoon, "If you went to rationing as a way to reduce consumption, you would have to have the rationing plan in effect at least five years, perhaps all the way to 10 years, until you get all these domestic sources of energy to replace the imports." So, there would be the costs of the bureaucracy to run this program.

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Q Do you have an estimate of that?

MR. NESSEN: I don't have an estimate.

Another factor in his opposition to rationing is the fact that by doing it through these higher excise taxes you raise the revenue that he wants to use to make a permanent cut in the tax rates with special weight toward cutting the taxes of the poor and middle income.

Obviously, if you put in rationing, rationing doesn't raise any revenue. So, you would have to abandon that part of the program, the permanent tax cut.

Also, for instance, out of that revenue was to come the special tax program and subsidy programs -- two programs -- to encourage home insulation, and there wouldn't be any money raised to do those two things, either.

Q So, the President will oppose any tax cut unless it is tied directly to a comparable revenue raiser?

MR. NESSEN: That was the question we got here the other day, maybe yesterday, would he go for the permanent tax cut, and then you are talking about a \$27 billion tax cut with no revenue to pay for it with.

Q What about the 1974 rebate? Would he also --

MR. NESSEN: No, that is one time. He said he is willing to take that deficit for one year to get the recession over.

Finally, another reason he opposes rationing is that the rationing program provides no way at all to encourage domestic production; in other words, these de-regulations and other parts of the program to encourage domestic production would simply not operate under a rationing program.

So, presumably you would get down to the end of the ten years and you would have kept a lid on consumption, but you would still be importing foreign oil because, as you know, domestic oil production has been going down for four or five years and there would be nothing in this rationing program to reverse that.

Q Why are those two things mutually exclusive? Why can't you have rationing and encourage domestic production?

MR. NESSEN: How would you do it?

Q A lot of ways. For instance, deregulations like you have proposed.

MR. NESSEN: Then you are going to have to combine rationing with some sort of price controls and a lot of other bureaucratic methods.

Q Ron, is the President making this point in his talks with Congressional leaders or are his people, in dealing with the Hill, telling them, you go to rationing or I will veto a permanent tax cut?

MR. NESSEN: I don't know. As you know, the people on the Hill are still studying this program, Gaylord, and I don't know that it has come to the point where that kind of threat has been made because I don't know that anybody is moving in that direction.

Q Has he made the point?

MR. NESSEN: I think he made the point very strongly yesterday, and some of you heard him about his opposition to rationing.

Q What is the answer, if somebody asks you, even as we have now for three straight questions, if the question is asked to the President, will you veto a permanent tax increase for which there is no money --

MR. NESSEN: You mean a permanent tax cut.

Q -- permanent tax cut for which there is no revenue raising counterbalance?

MR. NESSEN: I don't think it is possible to answer that kind of hypothetical question because you know there is no such proposal that I am aware of. I don't know anybody up there who would vote to cut taxes \$27 billion and not find some way to pay for it.

Q That is not very hypothetical? Wasn't he told by Senator Byrd that he might not get some of his stuff? It is not a hypothetical --

MR. NESSEN: I think what Senator Byrd was talking about was substituting a rationing plan for his methods of reducing consumption through prices.

Q Would the President accept a gas rationing plan?

MR. NESSEN: The President thinks his way of doing it is best and opposes rationing for all the reasons I gave yesterday, plus these.

Q What is the argument against rationing on the grounds of fairness? Rationing gives everybody the same thing, notwithstanding the price and notwithstanding income. If you don't use rationing, you are penalizing the poor and rewarding the rich, aren't you?

MR. NESSEN: Not really, because you are using the revenues from the higher prices to give the low and middle incomes a permanent tax cut, which more than makes up for their higher cost of fuel, and decreasing the taxes of the higher incomes by less than their increased cost of fuel.

The fairness argument, when it comes to rationing, is that a bureaucrat in Washington will decide how much fuel you get. As I said yesterday -- and the President has said this in private conversations -- everyone assumes that the other guy is going to get rationed, that you are going to get the same amount of gas you have now to drive to work and you will get the same amount of natural gas to heat your home, and it will come out of somebody else's allotment.

Somebody is going to have to get cut and one region is going to feel that it ought to get all it is getting now -- 100 percent of its present amount -- and some other region ought to take 75 percent or some company will feel it ought to get more than another.

Q Why do you say bureaucrats in Washington? Are you being derogatory to Members of Congress or the Administration who have decided --

MR. NESSEN: No, but there will have to be a fuel rationing agency to make these determinations.

Q Aren't you saying already before even such a thing is proposed or passed that it would be unfair? You are saying a bureaucrat can't be fair and equitable.

MR. NESSEN: I am not saying a bureaucrat can't be fair and equitable. I am saying a bureaucrat in Washington will have to make these millions of decisions about who gets what.

The President feels a fairer and better way to do it is to let the free economy make those choices, or you make your own choices. You can decide how much gas you want to buy. You can decide whether you want to spend your money for more gas and less fuel for your outboard motor or whatever.

He feels that each individual and business and region ought to be able to make its own decisions instead of having the decisions imposed upon them by someone here.

Q Ron, the President's concept of rationing, does that include both motor fuels and heating oil and gases, or does he separate them?

MR. NESSEN: The economists here feel to go to a gasoline only rationing system --

Q Motor fuel?

MR. NESSEN: -- motor fuel rationing system would not work because refineries would then switch over the major portion of their refining to home heating oil, and you would get no savings.

If you are going to hold down consumption of gasoline, then you have nothing to hold down consumption of all the other products made from petroleum.

Bill?

Q Ron, has the President expressed in the last few hours to you any concern that this whole philosophical discussion on gas rationing is going to cause delays in Congress on his program?

MR. NESSEN: He certainly hopes not. As I said yesterday, he believes that he has an entire program and that nobody else does and that Congress ought to get busy and pass it or pass something very close to it.

As I said yesterday, if you start picking a piece here and a piece there and pulling them out and changing them radically, the rest of the system falls apart because this is an integrated, interlocking program with one thing depending on another.

Q Ron, before you get off the subject, the President's economic advisers, Mr. Greenspan and Mr. Seidman, the people you talked to, do they believe the price of gasoline under the President's program will rise sufficiently to cause people, especially people comparatively better off, to make this multitude of individual decisions?

MR. NESSEN: Obviously, that is the whole theory behind doing it by price.

Q They believe this increase as estimated of about ten cents a gallon will be enough to prevent people --

MR. NESSEN: Force people to make that decision.

Q -- force people to make that decision?

MR. NESSEN: That is right, because the other prices of other kinds of energy will be going up, too, Jim, and you will have to decide where you want to put your money, into heating your house or buying more gas for your car.

Q The question of models came up yesterday, and so I would like to ask whether they have any models or any statistical projections, any evidence, any data to indicate that an increase of approximately ten cents per gallon, plus these other things, will do this? In other words, what is it based on?

MR. NESSEN: I am sure they do, Jim.

Q Do you know what they are or have something you can give us?

MR. NESSEN: I will get them for you.

Q Ron, on the same model approach, we have all heard all of these stories about how Cadillac and the other biggest, most expensive item sales are up, not down. How does this fit in?

MR. NESSEN: I know what you are driving at, and let me just say this: As I tried to point out yesterday, the way to understand this program is to just step back a minute and look at the ten-year goal; that is, by 1985 virtually total independence in energy.

When you start off with that as the goal, then all these other things lead up to that. Whether some Cadillac owner or Cadillac owners as a group have enough money to say, I don't care what the price of gas is, I am going to buy as much gas as I want, the fact is this plan, carried out all the way, will reach that goal.

Maybe some Cadillac owners will squander gasoline. Those are little glitches, but the end result will be reached by this program.

Q The fact then is the assumption is made that those less affluent will be forced into making up the difference?

MR. NESSEN: They get a large tax cut, too, to make up for the higher --

Q Ron, this home heating oil and the \$150 rebate, how is that supposed to work? Many of us heat by oil in the Nation, and how are we supposed to cope with that?

MR. NESSEN: I am not sure what you mean by the \$150 rebate.

Q The tax credit.

MR. NESSEN: What that means is, if you go out and spend \$1000 to insulate your home and put up storm windows so that you don't use as much fuel to heat your home, the Government will knock \$150 off your taxes to encourage you to do that.

Q That is \$150 gross?

MR. NESSEN: That is \$150 off your tax bill.

Q You pay \$150 less?

MR. NESSEN: Right.

Q Not off the tax liability, of the adjusted gross?

MR. NESSEN: If your tax bill is \$300, you would instead pay \$150 the year you insulated your house.

Q Do you have to fill out a long form to do that or can you do that on the short form?

MR. NESSEN: That I don't know.

Q Are there limits on it like the dividend exclusion? Is it limited to \$150?

MR. NESSEN: Yes.

Q It is not a percent?

MR. NESSEN: It is 15 percent up to \$150, so if you only pay \$100 to insulate your house, you only get \$15 back.

Q How far back does that go?

MR. NESSEN: When did you do it, Jim?

Q Last year.

MR. NESSEN: January 1 it will start.

Q Ron, before you shift away from energy, do you have any reaction to Senator Jackson's statement this morning at a news conference? Are you aware of those?

MR. NESSEN: No, I am not.

Q In which he denounced the President's program in many respects?

MR. NESSEN: It wouldn't surprise me.

Q And said he would take part in a floor fight to block it?

MR. NESSEN: I don't know what Senator Jackson's energy plan is. The President has one that will work, and he urges the Congress to get busy and pass it.

To clear up one other, perhaps misapprehension, or let me say concern about the President's program, and that has to do with its effects on New England, and I thought maybe I would tell you just one or two things about how -- the President said the other night in general terms he would take steps to avoid any undue hardship on any particular region.

Let me just give you one little bit of background. One of the concerns in New England is that their imports of petroleum are primarily refined petroleum products, basically home heating oil, and they fear that because of the excise tax that the President wants to impose on imported products that it would raise the price of their heating oil exorbitantly.

In order to overcome that impact on New England, there will be a special exception made in the case of imported petroleum products and the import fees will not be as high as on crude imports.

Starting on February 1, as you know, the President proposed a \$1 added fee on imported crude oil. In the case of imported petroleum products, heating oil, and so forth, there will be no fee on February 1. There will be no increase on February 1 at all.

On March 1, the fee was to go to \$2. Instead, it will go to 60 cents for imported petroleum products.

On April 1, instead of going to \$3, as in the case of crude, it will go to \$1.80 for imported petroleum products, heating oil and et cetera.

Q How much, and is it per barrel?

MR. NESSEN: It is \$1.80, and all of these are per barrel figures.

Q Is it true just of New England?

MR. NESSEN: No, it will be true of imported petroleum products no matter where they enter the country, but it primarily affects New England.

I am sorry, but on the April 1 figure would you make it \$1.20, please, instead of \$1.80.

Q Did he just order this in light of the complaints yesterday by the New England Governors?

MR. NESSEN: No, if you look on page 33 of your fact sheet, as a matter of fact, but I just thought I would spell it out a little bit because it may have been overlooked.

Q Ron, before getting away from that, would you characterize this New England situation as a case of a bureaucrat deciding that a region of the country should get a particular arrangement on fuel?

MR. NESSEN: Not at all, Jim. It carries out what he promised to do in his original message.

Q It is a bureaucratic decision to make an adjustment for a particular region of the country, is it not?

MR. NESSEN: It is a Presidential decision.

Q Ron, is what goes into New England the number two home heating oil, and is that refined outside of the country before it comes in?

MR. NESSEN: You see other regions of the country obviously use home heating oil, too, but in the case of New England, most of theirs is imported home heating oil whereas other regions of the country get their home heating oil from domestically refined oil.

Q Is that refined outside of the country?

MR. NESSEN: Oh, yes.

Q What about refined gasoline that is imported?

MR. NESSEN: It will apply to gasoline, but it is not a major factor.

Q Ron, the other day you told us this was not being done to avoid the situation where crude is shipped to Rotterdam, processed and then shipped to the United States to avoid the tax.

MR. NESSEN: Right.

Q What will be done to see this does not happen, that this process is not stepped up in the future?

MR. NESSEN: The decision has been made or the conclusion has been reached that that is not a major danger.

Q Did you say these reduced figures are in the fact sheet?

MR. NESSEN: On page 33, these dollar figures are in the fact sheet, but I thought maybe people had overlooked them.

Q Why wasn't it spelled out before in the briefings?

MR. NESSEN: Bill, you know how these briefings have been.

Q New England was not stated as a particular concern.

MR. NESSEN: That is why I am calling it to your attention today, because they are in there and I thought maybe they had been overlooked.

Q Is the President afraid Congress might withdraw his authority to put import duties on crude oil? Is that why you are emphasizing what the plan provides for?

MR. NESSEN: Not at all. As I said -- as Bill points out -- these figures are in the fact sheets, and there has been a number of stories and complaints in recent days, and I thought I would call them to your attention.

They have been in the plan since the beginning and they were in the speech Monday night -- the general policy was in the plan Monday night.

Q Isn't there not a danger, from your standpoint, that that authority might be withdrawn?

MR. NESSEN: I heard the talk of some people on the Hill proposing that it be done. I just have to go back to the basic argument that the Nation needs a national energy policy in order to achieve independence by 1985. The President has one, and the first step is to impose these higher import fees.

If Congress wants to take that power away and put through another energy plan that would reach the same goal -- but I don't know anybody who has one.

Let me finish another point that would help New England, and then we will go to more general questions.

The Federal Energy Administration today has requested public comment on proposed changes to their price regulations, which would limit the ways in which refineries can pass these costs through.

They are complicated and you can get in touch with the FEA to get the details, but basically the regulations which the FEA is providing would prevent refineries from loading their increased costs onto the heating oil part of their output and keeping the price of gasoline low.

Somebody here asked that question the other day, and I didn't have a very complete answer for you, but these regulations have been proposed to take account of that possibility.

Again, this would help New England because that portion, some portion of their heating oil is refined within the United States, and this would prevent refineries from taking all their increased crude oil prices and putting that into the heating oil price and not doing anything about the gasoline price.

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Q You mean, this is a bureaucratic action to help a particular region of the country?

MR. NESSEN: The Federal Energy Agency will be receiving comments on this up through February 5th and will continue to review any other steps that need to be taken to help New England.

Q Is it going to withhold its action until the comment period is over, or what?

MR. NESSEN: Will they hold back on the action?

Q Yes.

MR. NESSEN: The comments are due by February 5th, and the higher import fees don't go on until February 1st, so you don't have much time when the refineries could do this.

Bill has asked me to ask you to have the posted pool for the Legislature of the Year Awards meet him over here by the side door.

I don't have any other announcements today.

Q Ron, I have one other housekeeping measure, and I want to give you a chance to think about it. You said, yesterday, "We have no reason to think that the rejection of the trade agreement has implications beyond those communicated by the Soviet Union," and my notes, also, say that you don't think that the rejection of the trade agreement hurts detente. I was wondering if you saw Secretary Kissinger's interview on CBS last night, in which he called it a setback, and I am wondering if there is a discrepancy here?

MR. NESSEN: No, I have the transcript here, which I have read over, and I don't see that there is a discrepancy. I was looking back at my own remarks from yesterday, and it seems to me I said virtually the same thing that he said, that what happened to the trade bill -- I said we have no reason to believe that the rejection of the trade bill has implications beyond its immediate effect on the trade bill and so, that itself is the setback. But it doesn't have any effect on the other parts of detente.

Q It is our understanding that Mr. Dobrynin is being called back to Moscow for what has been reported as a full review on it. Is that your understanding?

MR. NESSEN: I don't think it is proper for the White House to comment on another country's embassy operations.

Q Ron, has the President been in touch in any way with Mr. Brezhnev?

MR. NESSEN: I am not aware of any direct communication.

Q Personally or any other way?

MR. NESSEN: Not that I am aware of.

Q Does the President have any reaction to those figures the Department of Commerce put out yesterday on the Gross National Product's decline?

MR. NESSEN: Nothing beyond what he said in the State of the Union, which is that it is not good. His program is designed to correct that among other things.

Q May I ask another question about Secretary Kissinger's interview last night on another subject? The Secretary was asked at one point why no decision had been made on U. S. food aid, and he replied that a decision had been made and that the United States had gone for the highest of the three proposals -- that is, a billion and a half dollars in food aid. Is this correct, and if so, it appeared at least to be the first announcement of it. Has the United States made such a decision?

MR. NESSEN: No, I checked this morning to make sure I had not missed something, and there is more than one decision that has to be made on the P.L. 480 matter. First of all, you have to pick the amount, and secondly, you have to pick how the food is to be distributed. And I believe a decision has been made on the dollar amount, although I can't confirm the figure that Dr. Kissinger used independently. But the decision on the rest of the P.L.480 matter has not been made.

Q Excuse my ignorance, but are you talking about Title I, there?

MR. NESSEN: I am talking about foreign food assistance.

Q You say the decision has been made on the money, but you can't confirm the amount?

MR. NESSEN: I am not challenging the amount; I am just saying I have not independently had somebody tell me that is the figure. I don't want to challenge his figure.

Q Since this appears to be a major policy decision involving money, could you undertake to check to see whether Secretary Kissinger is correct, a decision has been made to send \$1.5 billion of food abroad?

MR. NESSEN: I will.

Q Are you saying that the President of the United States has just taken the Russian action in nullifying the trade agreement and so forth in stride with no contact with Moscow, no further negotiation, no personal intervention?

MR. NESSEN: I am not sure I understand the question. The United States does consider this a setback, but it doesn't consider that this --

Q The thrust of the question is, has the President not been in contact with Soviet officials to see what can be done, or whether there is any amelioration of the situation, or what it really means?

MR. NESSEN: As I said the other day, the United States and the Soviet Union are in constant contact, but these contacts don't always have to be made at the Presidential level.

Q We thought because they kind of hit it off and were friends that he might pick up the phone and say, "Gee whiz, what is up, Leonid?"

MR. NESSEN: No, they have not had a direct communication that I know of.

Q Ron, would the President like to have a new Secretary of Treasury?

MR. NESSEN: The President has not talked to Secretary Simon about leaving.

Q Is he standing behind him about a 1,000 percent?

Q That was not the question; the question was whether he would like to have a new Secretary of the Treasury. This doesn't require talking to him?

MR. NESSEN: I have not heard him say that he did.

Q Ron, can you account for these dope sources that are coming out attributed to White House sources, White House officials, Presidential aides and the like, as saying the President would like to have a new Secretary of the Treasury?

MR. NESSEN: I never try to account for those, Jim. I don't know where they are coming from.

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Q Did the President feel compelled to assure Secretary Simon that he would like him to stay on in view of all this press speculation?

MR. NESSEN: I don't know that he has felt it necessary to go out of his way -- you know, there is always press speculation about almost every Cabinet officer.

Q Do you think this is just conventional press speculation about removal of a Cabinet officer?

MR. NESSEN: I have seen a lot of Cabinet officers speculated about, and they are still here.

Q Did the President meet with Secretary Simon this morning prior to the announced meeting on the schedule, because I saw Secretary Simon coming out of the West Wing at about 9 o'clock?

MR. NESSEN: Yes, he attends our senior staff meeting at 8:00, and he attends the Economic Policy Board meeting at 8:30. He is here every morning.

Q Did he see the President?

MR. NESSEN: I am just going to check the schedule. I don't think so. The answer is no.

Q Ron, this talk has been going on for some days, as a matter of fact more than a week, and at no point during this time has the President felt he should pick up the phone and call Simon and say, you know, don't worry about anything.

MR. NESSEN: Gaylord, as I say, there has been press speculation about every Cabinet member leaving and, if the President called up every Cabinet member who a story appeared about, he would spend all of his time on the phone assuring Cabinet members.

Q Ron, it has rarely been this intense.

MR. NESSEN: I don't know. Bill Simon told me last night that a year or so ago -- I don't remember exactly -- but the exact same thing happened a year or so ago and, as I said, he is still here.

Q Did you assure Simon last night he had nothing to worry about?

MR. NESSEN: The Cabinet members serve at the pleasure of the President.

Q The speculation a year ago was about whether Mr. Simon would be leaving his job as Federal Energy czar, and sure enough, he did. Would you anticipate the same type of thing is happening now?

MR. NESSEN: As I said, the President hasn't talked to him about it.

Q Ron, aren't you giving the same responses as you did about Sawhill a couple of months ago?

MR. NESSEN: What was I saying about Sawhill?

Q You were saying, "As far as I know, the President has no intention of replacing him."

MR. NESSEN: As far as I know, he didn't.

Q What was the context of the conversation with the Secretary last night about?

MR. NESSEN: He called me to talk about some aspects of this economic plan, and asked me how I felt the briefings went, and I wanted to ask him about the ripple effect and we sat around and had some ripple.

Q Do you think the President has improved his image this past week with his plan?

MR. NESSEN: I will have to leave that to the image measurement people.

Q How is your mail and telegrams?

MR. NESSEN: I will give you the last one I have, which was yesterday afternoon at 4:30. Does it approach the --

Q Does it approach the level of the Saturday Night Massacre?

MR. NESSEN: The last we have is 10:30 yesterday morning. I don't know how much use that will be to you. Just wait a second and we will get the 4:30 reaction count.

Q While you are on that, does the President want Secretary Simon to stay on?

MR. NESSEN: Dick, if he didn't want him to stay on, he wouldn't be there.

Q Did they have any discussion before the Secretary had his press conference the other day in which he denied he would be leaving?

MR. NESSEN: I don't know that they had any special discussion about that. I am not aware of any.

Q Ron, you obviously discussed the reports he might be leaving last night when you called him about the ripple effect.

MR. NESSEN: As part of a discussion about the economic program, at some point he said something -- he said, "You know, this morning at my news conference I denied very strongly that I was leaving." I had read that on the wires and then he went in and made this other comment about the same thing happened a year ago.

Q He didn't wait for you to react to that?

MR. NESSEN: No.

Q He didn't say, did I do the right thing?

MR. NESSEN: He doesn't have to check with me, actually.

Q Is WIN dead, the WIN program?

MR. NESSEN: Certainly not.

Q Was this thing this morning in conjunction with WIN?

MR. NESSEN: It goes along the same lines as WIN, volunteer action, but the WIN program is not dead.

Q Was Block in there with the AAA people this morning?

MR. NESSEN: I think he was. I have the participants list here somewhere.

Q This is not a facetious question, Ron, but why didn't the President wear his WIN button when he made his speech Monday night?

MR. NESSEN: I don't know.

Q Can you tell us for guidance at least whether the President is planning any trips out of Washington to take his campaign to the country, as it were, on the economic and energy package?

MR. NESSEN: I wouldn't be surprised, but there are no dates and places nailed down, but I wouldn't be surprised if he did.

Q Within the next two weeks, say?

MR. NESSEN: I would say just a shade later than that.

Q Would it be within January?

MR. NESSEN: He might start in towards the end of January.

Q What is the basis of that answer -- on the record, off the record, or background?

MR. NESSEN: All my stuff is on the record.

Q He said for our guidance, and you have used that expression before.

MR. NESSEN: It is no secret. I think he will get out and explain his program to the people.

Q Is it going to be a pretty intensive trip program?

MR. NESSEN: Like what? How intense is intensive?

Q A couple of times a week.

MR. NESSEN: I wouldn't think that often.

Q In that context, could we get dates on budget, the foreign policy message or the economic message?

MR. NESSEN: The budget date is February 3 if Congress goes along. That requires an extension of time to get that. Congress has passed the bill allowing the budget to be sent up on February 3.

Q Ron, could you post that?

MR. NESSEN: Yes, let's do that. Let's post the schedule of messages, if we have it.

Q Why did the White House decide to preserve the Office of Telecommunications Policy? It had been set to be abandoned, hadn't it?

MR. NESSEN: Isn't Dick Krolik the White House liaison with WIN? He was at that AAA thing today, and so was Ed Block, so you see it does fit into the WIN program.

Communications Office, Telecommunications Policy Office, the President decided that that office has a role to fulfill on communications and that it is best fulfilled within the Executive Office of the President.

Q Did he overrule Mr. Ash to arrive at that decision?

MR. NESSEN: I don't know what you mean by overrule Mr. Ash. The President would make the decision.

Q Did Mr. Ash recommend that it be jettisoned?

MR. NESSEN: I have no idea what Mr. Ash recommended. This is the decision.

Q Did the President first decide to move it to Commerce and then decide to keep it here?

MR. NESSEN: Not that I know of, Gaylord, this is a Presidential decision.

Q There was not a previous Presidential decision?

MR. NESSEN: There was consideration given to a number of things as part of the President's basic feeling that some activities now conducted by the White House might be better off carried out within the Executive Branch in other places, so this particular office was weighed against that idea, and the decision was made to keep it here.

Q What is the role of this office, anyway?

MR. NESSEN: We are going to have to find out about that 1.5.

Q Ron, didn't Congressional resistance to this idea have something to do with the change in the decision to keep it here?

MR. NESSEN: Don, not that I am aware of. This was the decision.

Reaction to the State of the Union as of noon today, telegrams as of noon today, in favor 82, opposed 20, various comments 58. Telephone calls as of noon today, 43 in favor, 27 against and ten other comments.

Q When is this from?

Q Is that one day or what?

MR. NESSEN: That is cumulative.

Q That is less than what we had before?

MR. NESSEN: No, and what we were talking about the other time was the reaction to the Monday night fireside chat. This starts as of the State of the Union on Wednesday and goes up to noon today.

Q What happened to the country?

MR. NESSEN: They can't afford telegrams anymore, Bob.

Q What does the Telecommunications Office do?

MR. NESSEN: I don't have a complete rundown, but I know it gives advice on policy involving various aspects of the telecommunications industry.

Q Ron, I would like to try once more on this gasoline rationing and why it can't be compatible with encouraging domestic production. I didn't understand, frankly, your answer before and that seems to be a very important reason why the President is opposed to gasoline rationing.

MR. NESSEN: As I say, under his plan you would conserve energy and reach this goal of self-sufficiency in 1985 by increasing the price to the point where people have to make their own decisions about how they want to spend their money for fuel.

As an interlocking part of that, you would decontrol natural gas and old oil as a way of encouraging domestic production. You would also encourage domestic production in other ways, including the synthetic fuels and those things.

With the money you gain by raising the price, you give everybody a permanent tax cut weighted toward the low and middle incomes to help them make up for this cost and not let the rich get everything back that they are going to pay in higher fuel costs. It is sort of an interlocking program.

If you just went to rationing, you would clamp a lid on consumption, but you wouldn't have any money to give the permanent tax cut and you wouldn't be doing anything to encourage increased domestic consumption, so ten years from now you can totally be free of foreign energy.

Q Ron, I thought that monetary incentive was going to be taken away by the windfall profits tax.

MR. NESSEN: No. If you read the fact book carefully you will see in the first year it will be, and then gradually the windfall profits tax will be phased out so the oil companies and other energy companies have the money to go on to increase the production and exploration for domestic sources of energy.

Q What is the percentage of the tax cut -- I am talking about the 1975 tax cut, not the rebate -- what is the percentage of that as a percentage figure, do you know?

MR. NESSEN: It is difficult to do, Jim.

Q And overall percentage?

MR. NESSEN: I saw one in the paper, and I am not sure it is correct. It has a different effect on every tax bracket from a 100 percent reduction for the very lowest down to a 1 percent cut for the --

Q I was asking for an average.

MR. NESSEN: I don't know that you can have an average. Having learned my lesson yesterday, I won't plunge into a technical area I am not clear on. We will have to get that from Treasury.

Q The average is certainly more than 2 percent, is it not?

MR. NESSEN: I would think the average would be higher than 2 percent.

Q If the average tax cut is more than 2 percent and the average increase in the cost of living proposed by these taxes is only 2 percent, in what sense aren't the rich going to have enough money to keep on buying gasoline?

MR. NESSEN: Because the rich will not get --

MORE

Q They won't get a 2 percent tax cut?

MR. NESSEN: Oh, yes. Did you go through the tax tables?

Q I only noticed people in the \$40,000 tax bracket are going to get a \$1,000 rebate, and I doubt that they are --

MR. NESSEN: Wait a minute, you are mixing apples and oranges.

Q That is why I asked about a percentage tax cut for 1975. If it is more than 2 percent, I can't understand how people will be dissuaded.

MR. NESSEN: For instance, in the \$40,000 bracket, the percent of saving is 1.6, and above that, it gets less.

Before you go, and somewhat in line with Jim's question, there are two briefings this afternoon. Now, the invited guests to those briefings are the participants in the Economic Summit meeting, which you may remember from September. One briefing starts at 1:30 p.m., and the other starts at 4:00 p.m. in Room 450 of the EOB. There will be Simon, Zarb and Seidman.

Now, we have decided, because we have had some requests along this line before, that these will be open for coverage. You can film or tape or whatever you want and sit in on them. For some of these more technical questions, I would think that is the place you might get the answers.

Q Which summit groups are they? Are they separate summit groups?

MR. NESSEN: All the participants of the Summit that was held at the hotel here.

Q Does it represent specific categories of mini-summit attendees?

MR. NESSEN: No, these are the final participants from the hotel.

Dick.

Q Can you confirm the report that the United States has decided to supply new, sophisticated, antitank weapons to Lebanon, and if so, why?

MR. NESSEN: I will confirm that the United States has sold a small number of TOW weapons to Lebanon.

Q How many?

MR. NESSEN: You will have to get the details from the Defense Department.

Q Do you have any other details on that?

MR. NESSEN: You will have to get them from Defense, Bob. We can't be putting out details of every --

Q What does TOW mean?

Q All I said was "Do you have any further details?"

MR. NESSEN: No, I don't.

Q I would like to pursue my question. Can you tell us why?

MR. NESSEN: We have had a long-standing military supply relationship with that country.

Q At that level?

MR. NESSEN: I don't know what you mean by "At that level?"

Q Aren't these weapons in fact a lot more sophisticated than the weapons we have provided them in the past?

MR. NESSEN: I have no idea what we have provided them in the past, and you will have to address detailed questions to the Pentagon.

Q Will we provide them with ammunition as well as weapons?

MR. NESSEN: What do you mean by ammunition? You mean like bullets?

Q Yes.

MR. NESSEN: I am just confirming the question Dick asked me. I don't have any information on it.

Q Ron, is there any implied message to Israel in the decision to do this in terms of Israeli attacks across the Lebanon border?

MR. NESSEN: I am not aware of any implied message.

Q Ron, several weeks ago I asked whether the President had conducted a full review of the United States' policy of arming different countries in the Middle East, and you said that you would check for a response.

MR. NESSEN: The answer is there is a continuing evaluation of American supply arrangements that goes on.

Q Tomorrow are you going to have a briefing, and will there be anything other than that dinner?

MR. NESSEN: I hope not. Five a week is enough for me.

By the end of the afternoon, we will post a schedule for tomorrow and see what it looks like. Any of you that want to go to the briefings in the EOB should get in touch with Jerry Warren's office for clearance.

THE PRESS: Thank you.

END

(At 1:05 P.M. EST)