The President supports the Citizens' Action Committee and repeated that support in his speech to the Business Council, December 11th. The President, from the very beginning, expressed the importance that this be a completely voluntary program and that it not bear the imprint or sponsorship of either major political party. As the country meets the challenges of curing the economic problems and of conserving energy, voluntary participation is vital. It will be important regardless of what steps the President may take and announce in the near future.

The White House is currently providing transitional support to the Citizens' Action Committee--office space, telephone service, and two or three secretaries. In addition to this, a member of the White House is working with the WIN committee as a consultant and on a detail basis. Russ Freeburg, who headed up the program from the beginning until December 6, was paid a salary. Mr. Freeburg is now giving volunteer time to the Committee while he helps Edward Block, the new executive director, who is a volunteer, take over. Stationery has been donated to the Committee by various groups.

Mail that is addressed to the Citizens' Action Committee goes directly to their offices in the NEOB. Mail that is addressed to the President, but clearly relates to the WIN program, is also handled in the NEOB by a special mail handling group which is on detail from several agencies to the White House.

**W I N**

The President will meet Saturday at 12:15 with Russ Freeburg and Ed [redacted]-Block. The purpose of the meeting is to thank Russ Freeburg for his services as the coordinator and later the Executive Director of the WIN program. Russ, who was at the White House as a consultant, left the program about 10 days ago to return to the private sector.

The new director is Ed Block, the Vice President for Communications of the Illinois Bell. [redacted]-Block is on loan from his company. The President will welcome Ed aboard.

This action puts the WIN program MOSTLY [redacted] in the hands of volunteers.

The President is grateful for the work of Freeburg and the willingness of Ed [redacted] Block to serve. He supports the [redacted] WIN program.

Freeburg – off payroll Dec 6.
consultant at $138 a day.
Every day [illegible]
– o –
Richard Krolick = assoc W.O.C. comes on Jan 1, as a consultant.
(works for Torbert McDonald D-Mass)
$32,000 yr.
– o –
Secretaries on detail to answer WH mail
Varies depending on how much mail there is.

1974

IRS LEGISLATION & SEN. WEICKER

Q: Does the President support Senator Weicker's bill which restricts the use of tax returns, as Senator Weicker said he did?

A: The President and the Senator met for about 15 or 20 minutes this morning. Rep. Jerry Litton (D-Mo) also attended, as did Mr. Buchen and Tom Korologos.

[redacted] There was a general consensus that it is necessary [redacted] to have the highest degree of privacy for IRS records. The President has made it clear in the past--as he did today--that he wants this to be done.

* The President did indicate that he supports the Weicker proposal in principle, but subject to reconciling major differences between the legislation proposed by IRS and that proposed by Sen. Weicker.

The President hopes that during the Congressional recess, these differences can be worked out so that the various viewpoints can be meshed into a proper bill.

Q: What other agencies need to have IRS data or tax returns.

A: The Justice Department uses tax returns to prosecute tax evaders. The Commerce Departments uses tax returns to determine, for instance, the [redacted] number of persons in certain areas of income, ([redacted]below poverty line, etc.)

We are seeking to determine if items such as these can be more tightly controlled.

The President yesterday never really set any goals or made any predictions on what the rate of inflation you expected or would consider satisfactory. What rate of inflation would be acceptable?

GUIDANCE: The Administration feels it is wrong to have a specific numeric goal. The basic goal is to reduce the rate of inflation to a point where it becomes of no significant influence in the economic decisions of consumers and business and industry in making future economic plans. The Price indices by themselves are not the sole determination and can be deceptive. Other factors must be considered--such as monetary growth, interest rates and financial markets.

We will not know that we have succeeded until we find the economy in a stable growth pattern over a period of several months.

Does the President really expect to have some meaningful reductions in the rate of inflation by early in 1975?

GUIDANCE: As the President said yesterday, he feels if the Congress responds to his 31 specific recommendations, and if the American people respond in a voluntary way, that we can have, hopefully early in 1975, some meaningful reduction in the rate of inflation (President's words).

The Administration continues to blame the higher costs of food and fuel for this inflation. Is anyone ever going to start recognizing the industrial commodities component as the major problem?

GUIDANCE: In the first 12 month period concluding in August, the problem had been concentrated in food and fuel. Both of these are due to special circumstances and are likely to be less troublesome next year. Food, gasoline, fuel oil, coal, and other energy-related items directly accounted for about 36% of the increase in the Consumer Index. However, in the past three months, these items accounted for about 8% of the increase.

The most distrubing aspect right now, in our opinion, is the large, consistent increases in prices of a great many industrial commodities. These increases may have been caused primarily by the fact that they were held down during the long period of wage-price controls. Some of the increases may represent secondary effects of a huge rise in petroleum costs, and some of them are directly related to petroleum. For example, many chemicals are made from petroleum.

JGC

## Q & A - GNP REPORT

Q. In the light of the 2.9% annual rate of decrease in real GNP, does the President believe we are in a recession? Arthur Burns has said that we are. Whom should we believe?

A. The important point here is that almost everybody agrees economic activity is sluggish. Whether or not this period will qualify as a recession is a question of semantics which we can leave to the recognized experts.

Whatever you want to call this period, there is no question it has many characteristics that are not typical of recession. Certainly the rate of inflation is extraordinarily high. Also, while the declines in housing and stock prices have been particularly severe and the physical volume of retail sales has been weak, there has been no decline at all in employment, which climbed to an all-time peak in September. Similarly, investment spending is still booming, which is most un-recessionlike. Thus, our economy is sluggish in a rather peculiar way.

Nevertheless, the basic facts are that we have a combination of declining economic activity and double-digit inflation -- what has been appropriately called "stagflation" -- and it looks like those conditions will continue into next year. It is this problem to which my economic policy is addressed.

The general theory is, of course, the price will rise, but you have got to look out beyond that immediate effect to what the purpose is, which is to increase production which will bring prices down later, and most of all will assure an adequate supply and avoid people losing their jobs when their factory can't get any natural gas to run it.

Q What was the energy meeting about, yesterday afternoon?

MR. NESSEN: That was not really an energy meeting. That was an economic meeting and it was a discussion of some general economic statistics.

Q Before we get off this subject, if I might ask one question. As you have been running through this meeting and reading off the charts and the figures and statistics, the question has come to my mind -- that has come to my mind before -- and I would like to ask you about it. It goes to the question of the type of information that the President is receiving on this energy situation.

Again and again we get reports from Government agencies, sometimes the FEA itself, sometimes other Government agencies, from consumer groups and from a large number of other sources, which point out or which state that the oil companies have understated their reserves of natural gas consistently, that they are operating at less than capacity, that they are overcharging.

These reports keep flowing out again and again. Does the President, in these briefings, does he ever get that kind of report? Does he ever get that kind of data [redacted] to his attention, or is it all just the kind of thing that you have been outlining here?

In other words, I am asking whether the President, himself, is satisfied that he is getting a well-rounded picture here. I am not alleging or claiming that these reports are right and the material he is getting is wrong. I am merely asking whether he feels that in the light of what you can see by picking up your daily newspaper almost any day, whether he feels he is getting a complete picture here?

MR. NESSEN: As you say, leaving aside the accuracy of the allegations --

CONSUMER PRICE INDEX

(Change)

| | 1975 | 1974 | 1973 |
|---|---|---|---|
| January | +0.6% | +1.0% | |
| February | +0.6% | +1.3% | |
| March | | +1.1% | |
| April | | +0.6% | |
| May | | +1.1% | +0.6% |
| June | | +1.0% | +0.6% |
| July | | +0.8% | +0.2% |
| August | | +1.3% | +1.9% |
| September | | +1.2% | +0.3% |
| October | | +0.9% | +0.8% |
| November | | +0.9% | +0.8% |
| December | | +0.7% | +0.5% |

TABLE 2

| REAL GNP | 1975.1 | 75.2 | 75.3 | 75.4 | 76.1 | 76.2 | CALENDAR YEARS 1975 | CALENDAR YEARS 1976 | FISCAL YEARS 1976 | FISCAL YEARS 197[illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| No Ford program | -4.2 | 0.2 | 2.8 | 3.8 | 5.4 | 6.6 | -2.5 | 5.0 | 4.7 | 5.[illegible] |
| Partial Ford program | -5.0 | -1.5 | 3.6 | 6.7 | 6.8 | 6.5 | -2.8 | 5.8 | 5.9 | 4.[illegible] |
| Complete Ford program | -4.9 | -1.4 | 2.9 | 4.9 | 5.7 | 4.7 | -2.9 | 4.3 | 4.6 | 3.[illegible] |

| INDUSTRIAL PRODUCTION | 1975.1 | 75.2 | 75.3 | 75.4 | 76.1 | 76.2 | 1975 | 1976 | 1976 | 197[illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| No Ford program | -10.9 | -2.1 | 0 | 3.8 | 8.4 | 9.6 | -5.0 | 6.1 | 5.5 | 6.[illegible] |
| Partial Ford program | -11.1 | -3.5 | 1.7 | 7.5 | 10.7 | 10.3 | -4.9 | 7.6 | 7.6 | 5.[illegible] |
| Complete Ford program | -11.0 | -3.3 | 4.4 | 6.6 | 8.5 | 7.8 | -4.6 | 6.2 | 6.8 | 3.[illegible] |

| UNEMPLOYMENT | 1975.1 | 75.2 | 75.3 | 75.4 | 76.1 | 76.2 | 1975 | 1976 | 1976 | 197[illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| No Ford program | 7.2 | 7.5 | 7.7 | 7.7 | 7.5 | 7.2 | 7.5 | 7.0 | 7.5 | 6.[illegible] |
| Partial Ford program | 7.2 | 7.6 | 7.8 | 7.7 | 7.3 | 7.0 | 7.6 | 6.8 | 7.4 | 6.[illegible] |
| Complete Ford program | 7.2 | 7.6 | 7.7 | 7.7 | 7.4 | 7.1 | 7.5 | 7.0 | 7.5 | 6.[illegible] |

As can be seen from Table 2, we expect a significant recovery in the latter half of 1975 with or without any tax cuts or rebates. However, the magnitudes are considerably different. Under the baseline case, real GNP rises only 3.3% in the second half of the year, while it rises 5.7% with the partial Ford program and 3.9% with the complete program. Note in particular that the partial program is much more stimulative than the complete program, even though both have the same size ex post deficits, because the latter has a much higher rate of inflation which reduces real disposable income. Both Ford programs reduce the rate of growth in the first half of 1975 because of higher oil prices without any offsetting fiscal stimulus.

# Senate Tax Cut Bill

Tax reductions affecting individual taxpayers are:

--Increase in House rebate of 1974 taxes from 10 percent (with $100 minimum and $200 maximum) to 12 percent (with $120 minimum and $240 maximum).

--Elimination of House standard deduction changes and substitution of optional $200 tax credit in lieu of $750 personal exemption. This concentrates benefits on taxpayers in the 27 percent and lower marginal tax brackets and provides greater benefits for large families than small, as compared to the House bill.

--Reduction of tax rates in the first four brackets (up to $4,000 of taxable income) by 1 percent. This provides a tax cut of $40 for all taxpayers with $4,000 or more of taxable income.

--Revision of House earned income credit (tax credit of 5 percent of first $4,000 of earned income, phased out between $4,000 and $6,000 of adjusted gross income) to provide maximum $400 tax credit equal to 10 percent of first $4,000 of earned income, phased out between $4,000 and $8,000 of expanded adjusted gross income (including welfare payments). Only households with dependent children would be eligible.

--Provision of 5 percent tax credit for purchases of new houses during the period March 13, 1975, through December 31, 1975, with a maximum credit of $2,000. The Finance Committee bill would also have covered used houses and mobile homes.

--One hundred dollar payment to each unemployed social security recipient, including railroad retirement, disability and SSI recipients.

--Allowance of child care expenses, where both spouses work or one spouse is disabled, as a business expense without the dollar limitation and income phase-out of current law.

--Allowance of tax credit for $1,000 of home insulation expenditures (40 percent first $500; 20 percent second $500) maximum credit of $300) and $2,000 of solar energy expenditures (40 percent first $1,000; 20 percent second $1,000; maximun credit of $600).

Eliminated from the Finance Committee bill was the provision for a three-year carryback of large capital losses.

Tax reductions affecting business taxpayers are:

--Permanent increase in the investment credit from 7 percent to 10 percent, plus a temporary increase to 12 percent through 1976. The House bill $100 million limitation on the maximum investment credit, which affected only AT&T, was eliminated. To be eligible for the temporary increase, a corporate taxpayer would have to agree to contribute its stock worth one-half of the increase (i.e., 1 percent) to an Employee Stock Ownership Plan (ESOP). The limitation on the amount of used property that can qualify for the credit raised by the House bill from $50,000 to $75,000, was entirely eliminated.

--Reduction of the tax rate on the first $50,000 of corporate earnings from 22 percent to 18 percent. For all corporations having taxable income of $50,000 or more, the tax reduction would be $2,000. The House bill had increased from $25,000 to $50,000 the amount to which the lower rate applies. Unlike the House provision, the Senate bill provides some relief for firms with taxable income of $25,000 or less, but both bills tend to cause the wealthy owners of small corporations to retain earnings in the corporation (rather than paying out earnings as salaries) in order to benefit from the lower corporate rate.

--Repeal of the excise tax on trucks, buses and truck parts.

--Increase of the accumulated earnings tax credit from $100,000 to $150,000.

--A provision in the Finance Committee bill for an elective eight year carryback of losses was cut back to apply only to 1974 and 1975 losses. If the 1974 loss exceeds $10 million, 25 percent of the resulting tax benefit would have to be contributed to a Supplemental Unemployment Benefit (SUB) plan, but not to an Employee Stock Ownership (ESOP) plan as under the Finance Committee bill.

The depletion and other revenue gaining provisions are:

--Repeal percentage depletion for oil and gas effective January 1, 1975, with exemptions for regulated natural gas,

gas sold under a fixed contract, and small producers. The small producer exemption, which would be permanent, would be for 2,000 barrels of oil a day and, separately, for 12,000,000 cubic feet a day.

--Repeal foreign tax credit for foreign oil related income and reduce United States tax rate for such income to 24 percent.

--Repeal deferral of United States tax on income of foreign subsidiaries of all United States corporations.

--Repeal the special export sales corporation tax provisions (DISC) for energy products and products in short supply.

Cost Jobs,
says Henry

WHOLESALE PRICE INDEX

(Change)

| | 75 | 1974 | 1973 | 1975 |
|---|---|---|---|---|
| January | -0.3 | +3.1% | | -0.3% |
| February | | +1.2% | | |
| March | | +1.3% | | |
| April | | +0.7% | | |
| May | | +1.3% | +2.0% | |
| June | | +0.5% | +2.3% | |
| July | | +3.7% | -1.4% | |
| August | | +3.9% | +6.2% | |
| September | | +0.1% | -1.5% | |
| October | | +2.3% | +0.3% | |
| November | | +1.2% | +1.8% | |
| December | | -0.5% | +2.2% | |
| JAN | | -0.3% | | |
| FEB | | -0.8% | | |

# TAX REDUCTION BILL - H.R. 2166

The following is a summary of action taken by the House and Senate conferees by the 6:30p.m. adjournment on Tuesday, March 25. Conferees will meet again Wednesday at 9:00 a.m.

Generally, agreement was reached on the less controversial items while compromises have not yet been worked out on the additonal reductions for individuals (increase in standard deduction, $200 optional credit in lieu of personal exemption and rate reduction for low income taxpayers), new house purchase credit, $100 payment to certain program beneficiaries, taxation of foreign source income and percentage depletion of oil and gas.

Agreement reached on:

(1) Rebate on 1974 taxes - accepted House version. 10% of tax liability up to maximum of $200, minimum of $100. $200 maximum phased down as AGI rises from $20,000 to $30,000. Revenue loss - $8.1B.

(2) Earned income credit - accepted Senate version. Refundable credit of 10% of earned income up to $400. $400 phased out as income rises from $4,000 to $8,000. Available only to families with dependent children. Better known as the "work bonus". Revenue loss - $1.5B.

(3) Child care deduction - present law allowed an itemized deduction of up to $4,800 phased out for AGI above $18,000. The AGI level was raised to $35,000. Revenue loss - $9 M.

(4) Investment Tax Credit - increased the investment tax credit for all taxpayers to 10% on a 2 year temporary basis. Also to 11% if the additional 1% is contributed to an employee stock ownership plan (ESOP). Removed $100 million cap on utilities (affected ATT only). Increased the 50% limitation for public utilities to 100% for 1975 and 1976 and then phased back at 10% a year over a 5 year period until 1981 when the 50% holds. Normalization of the ITC benefit for public utilities. Increased the limit of used property as qualified investment from $50,000 to $100,000. Allows ITC for progress payments when property takes more than two years to construct. Revenue loss - $3.39B.

(5) Corporate surtax exemption and rate reduction - increased surtax exemption from $25,000 to $50,000 and decreased the rate on the first $25,000 from 22% to 20%. Rate on second $25,000 is 22%. Revenue loss - $1.55B.

(6) Accumulated Earnings Credit - accepted Senate version. Increases the amount of accumulated earnings credit from $100,000 to $150,000. Revenue loss negligible.

(7) Net Operating Loss (NOL) - dropped in conference. Would have allowed substitution of carryover years for carryback of NOL. Present law is 3 back and 5 forward. This amendment has been tabbed the "Chrysler Amendment".

(8) Federal welfare recipients employment incentive (WIN) tax credit - generally broadens the WIN credit for employers. Revenue loss - under $3 million.

(9) Excise tax on trucks, etc. - dropped in conference. Would have repealed 10% excise tax on trucks, buses, etc. and 8% tax on related parts.

(10) Tax credit for insulation and solar equipment - dropped in conference but will be included in energy bill.

(11) Tax exemption for homeowner's associations - dropped in conference.

(12) Pension plans relative to time when contribution deemed made - allows 1974 rule for 1975. Revenue loss - none.

(13) Emergency unemployment compensation benefits - agreed to Senate allowing 13 weeks additional benefits to those who have exhausted 52 weeks of benefits. Revenue loss - $200 million.

(14) Required dying of fuel heating oil - dropped in conference - consider in energy bill.

(15) Tax Free Rollover of home purchase - agreed to Senate. Time period for rollover extended from 1 year to 18 months for purposes of nonrecognition of gain. Time for construction of new residence extended from 18 to 24 months. Revenue loss - negligible.

## CONSUMER PRICE INDEX

(Change)

| | 1975 | 1974 | 1973 |
|---|---|---|---|
| January | +0.6% | +1.0% | |
| February | +0.6% | +1.3% | |
| March | +0.3% | +1.1% | |
| April | +0.6% | +0.6% | |
| May | +0.4% | +1.1% | +0.6% |
| June | | +1.0% | +0.6% |
| July | | +0.8% | +0.2% |
| August | | +1.3% | +1.9% |
| September | | +1.2% | +0.3% |
| October | | +0.9% | +0.8% |
| November | | +0.9% | +0.8% |
| December | | +0.7% | +0.5% |

Statement by Secretary Morton on Leading Economic Indicators for July (Up 1.7%)

These leading indicators are consistent with what had been expected. I am encouraged by today's announcement but it is important to view these figures with some caution. Because of the variables within the economy, we cannot expect that every month will show such a dramatic increase.

We still have a long way to go before we can all be satisfied with the state of the economy.

These is mounting evidence that business is on the upswing and the expansion should result in solid growth in jobs, incomes, and profits for the foreseeable future.

SUBJECT: CONSUMER PRICE INDEX
FOR JULY

The Consumer Price Index for July was up 1.2%, the largest increase since last Septemkber. This follows an .8% increase in June. During the previous five months, the aveeage increase was 0.5%.

What is your reaction to the 1.2% increase in the July C.P.I, which, if annualized, would be 14.4%?

GUIDANCE: Even though we expected a poor CPI for the month of July, today's figures are somewhat higher than expected.

The early evidence for the month of August suggests we will fall back under double digit inflation for Aug.

Nonetheless, we should not easily dismiss the figures for the last two months as having no signifigance. These figures should keep us alert to the ease with w-hich inflation can become reignited, and therefore we must maintain our vigilence against inflationary pressures.

Is the increase in the CPI due, at least partly, to the rise in food prices because of the Soviet Grain deal.

GUIDANCE: The effect of the Soviet Grain deal, should it have any effect, would occur several months down the line, and had no effect on the JULY CPI.

What is the major cause for the increase in the C.P.I.?

GUIDANCE: As to the increase in the food component, the high prices of feed grains last year caused a cut back in the supply of hogs and steers on feed. Since it takes at least six months to feed a steer, this is now being felt in the market place during the past few months.

There has also been an increase in the price of petroleum prices. This is partly due to the increase in demand because of summer driving. However, I would point out that the last four month's increase of gas prices is worth twice that we would expect from decontrol. (gas prices have gone up 7¢ in the last four months, while decontrol would add about 3¢)

CONSUMER PRICE INDEX

(Change)

| | 1975 | 1974 | 1973 |
|---|---|---|---|
| January | +0.6% | +1.0% | |
| February | +0.6% | +1.3% | |
| March | +0.3% | +1.1% | |
| April | +0.6% | +0.6% | |
| May | +0.4% | +1.1% | +0.6% |
| June | +0.8% | +1.0% | +0.6% |
| July | +1.2% | +0.8% | +0.2% |
| August | | +1.3% | +1.9% |
| September | | +1.2% | +0.3% |
| October | | +0.9% | +0.8% |
| November | | +0.9% | +0.8% |
| December | | +0.7% | +0.5% |

Subject: WHOLESALE PRICE INDEX
FOR SEPTME MBER

The Wholesale Price Index for September rose .6%, down from the .8% in August and the 1.2% in July, but still the third highest this year.

What is your reaction to the .6% increase in the W.P.I.?

GUIDANCE: It is my understanding that our people are having difficulty in interpreting this data becaause of difficult seasonal adjustment factors, so far be it from me to argue or question our economic advisors.

Q. What does an overall unemployment rate of 4.7 per cent in 1981 imply as the 1981 "adult" unemployment rate?

A. Both past experience and the BLS projections of the relative importance of the various labor force categories suggest that a 4.7 per cent unemployment rate in 1981 would imply a 4.1 per cent unemployment rate for those age 18 and older and a 3.6 per cent rate for those age 20 and older.

Q. Why do you project lower levels of real GNP in 1980 and 1981 than you did in the January Budget?

A. Since the January projections we have revised downward our estimates of the growth of "potential" GNP, that is the GNP consistent with relatively full utilization of our labor and capital resources. Because of slower growth in the labor force and in average productivity we have lowered our estimate of the growth of GNP potential from the 4 percent figure we used in January to a current figure of 3-1/2 percent. This has the effect of reducing the real GNP consistent with relatively low levels of unemployment.

Q. In the long-run economic projections in the January budget, the inflation rate was assumed to level out at 4.0 percent in 1980 and 1981. Now the rate is assumed to continue falling through the projection period. Why the change? Is it somehow related to political events in August and September?

A. While our succession of forecasts since the 1976 Budget have been pretty good, we have constantly been somewhat too pessimistic abut inflation. In other words, we have made more rapid progress against inflation than we forecast earlier. Indeed, the progress has been exceptional considering the vigor of the economic recovery. Indeed, since the massive inventory liquidation of 1975 has been replaced by moderate inventory rebuilding in 1976, we should have expected increased price pressures. Thus, the improvement in the inflation situation is probably even greater than is indicated by the fall in published inflation rates. Having made this progress, during the forecast period, we thought it reasonable to assume more progress during the long-run projection period as well. But it must be reemphasized that these are only mechanical projections. If any of you can convince me that you can forecast inflation rates in 1980 or 1981, we shall hire you immediately.

Q. Given that the inflation rate in 1976 is so much better than you expected it to be last January and given that the unemployment rate jumped up to 7.5 percent in June, wasn't it callous of the President to veto the Public Works Bill because he said that it was "too inflationary"?

A. The President's job creation program has been to unwind the destablizing foreces in the economy the most important of which is inflation, and by so doing, to restore balance and long-term growth to the economy. This program has worked! All the jobs lost in the recession have been restored and employment is now well over 1 million above the 1974 employment peak. Moreover, these are long-term productive jobs in the private sector not short-term dead-end jobs in the public sector.

Merely calling an expenditures program a jobs bill doesn't necessarily make it one. In fact, in our best judgement, the Bill in the long-run is likely to destroy more jobs than it creates. If our economic recovery continues in a balanced manner we can expect continued solid growth in the economy and the restoration of full employment. The major threat to the recovery and the continued creation of new productive jobs is a rekindling of inflationary forces. Excessive federal spending and deficits must be avoided. The increased expenditures programmed under the so-called "Jobs Bill" as well as similar programs increase the risk of rekindling inflation in our judgement to unacceptable levels. If we allow Budget deficits to remain excessive we will surely rekindle inflation and promote another recession which will destroy most, if not all the jobs that have been created during the past year.

Thus while in the short-term narrow context such legislation may appear to create jobs, a broader examination of it's secondary and tertiary effects reveals such legislation as job destructive not job creative.

3. Articles in the New York Times today indicate that the United States has a specific program for coping with ~~the world energy/economic crisis including a 15 percent cut in oil consumption and that these specifics were given to the four nations attending the Foreign Minister/Finance Ministers consultations at the State Department last weekend.~~ Can you tell us about this program and whether the President will make specific international proposals in his speech next week on economic initiatives? LET ME GIVE YOU THREE POINTS ON THIS:

Guidance: I ~~really~~ have nothing specific to give you in this area but let me remind you that in his speech at the United Nations and at the World Energy Conference, the President called for increased international dialogue and cooperation. Secretary Kissinger's consultations this past weekend constituted an initial step in fostering this needed dialogue and while no specific decisions or agreements were reached there, there was a very useful exchange of ideas on how the major industrial nations could cooperate in coping with the economic and energy problems we all face.

Of equal importance in the efforts to cooperate in meeting the energy challenge, I would remind you of the emergency energy cooperation agreement signed in Brussels which constituted a major program of cooperation in energy sharing to reduce our vulnerability to possible future interruptions of oil supplies and provides a comprehensive program of international cooperation in research and development, conservation and the development of alternative energy sources. The draft agreement is now under review by the Governments concerned and I would refer you to State for additional details on that agreement.

Each nation will develop its own specific programs.

Another important part of our cooperative effort to meet this challenge would be our own efforts to conserve energy here at home and as you know, the Administration is considering a number of proposals to reduce domestic energy consumption.

Q.: Your inflation assumptions look awfully peculiar. The CPI rises only 5.0 percent during 1976; jumps up to 5.7 percent in 1977; and then falls rather rapidly in the 1978-81 period. Could you explain this?

A.: We believe that the underlying rate of inflation is now in the 5.5 to 6.0 percent range. We expect the actual rate to be around 5.5 percent for the rest of this year and the 1977 level not to be very different. Prices were held down artificially early this year by the legislated energy price rollback and by fortuitous declines in food prices. This is why the inflation rate for 1976 as a whole looks peculiarly low.

Our forecast, which does not differ significantly from other private forecasts, reveals the stubbornness of inflation and the need to pursue a responsible course in monetary and fiscal policy. But over the longer run we believe the inflation rate can be brought down. If the President's budget prescriptions are followed, we strongly believe that we can make considerable progress in the late 70's against inflation which so rightly is a major concern of the American people since it is a major cause of economic instability and of unemployment.

Q.: I see that you are assuming that the consumer price index will rise 5.0 percent from December 1975 to December 1976. What sort of inflation rate does that imply for the rest of 1976?

A.: The implied inflation rate for the rest of the year is around 5.5 percent. In other words, we expect a somewhat higher rate than was experienced in the first five months, because inflation was held down early in the year by abnormal reductions in the prices of food and fuel.