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THE WHITE HOUSE

REMARKS OF THE PRESIDENT
TO THE
GOVERNORS, MAYORS AND COUNTY OFFICIALS

THE EAST ROOM

2:48 P.M. EST

Members of the Cabinet, distinguished Governors, mayors, public officials:

It is a privilege and a pleasure for me to be here and to follow all the technicians and experts who have given you the several programs and answered, I trust, satisfactorily, all your questions. Didn't they? (Laughter) They didn't learn very fast then.

It is nice to be here and conclude the program, at least officially, with a few remarks.

If you heard, saw or read my speech yesterday, you know I didn't paint a very optimistic picture. I didn't intend to. I meant to say what the facts are as to the economy and our situation in the field of energy.

We all know that the economy is in trouble, and I won't embellish what I said yesterday by citing any facts or figures. We know that the problem of energy is acute in the United States. It doesn't seem that way today. Of course, 12 or 14 months ago it was, and the problem that we had 12 or 14 months ago, which was acute, could occur or could reoccur at any time.

We have a short-range and a long-range problem in the field of energy, and we better find some answers. As a result of the difficulties we have in the economy and the problems we face in energy, I devoted virtually all of my time yesterday in the State of the Union to those two problems.

All of you are public officials. I consider myself one. Let me say that being a public official in these circumstances with unemployment high, with inflation too high, with the other problems we have, is not a very happy responsibility, and you probably know it as well as I do.

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But let me add this, if I might: Benjamin Franklin once said that we must all hang together or most assuredly we will all hang separately, and that includes Democrats as well as Republicans.

So, those at the local level, those at the State level and those of us at the Federal level have a reason, a sound, constructive reason to work together, so we preclude the possibility of all hanging together.

What can we do? We in the Federal Government have initiated a plan in the field of energy and the economy. In the latter, we are going to stimulate the economy. We are going to make things better and in the field of energy, if we get this legislation, we will solve those problems.

All of you, of course, particularly are interested in the difficulties of unemployment. You see, even more dramatically than I do, the long unemployment lines. My State of Michigan, of course, has about as hard a situation as any, if not the worst.

So, what we have got to do on a temporary, short-term basis is restore public confidence, give people back some money to have it available to spend, to generate sales in hard goods, automobiles, appliances, et cetera, and at the same time provide temporary relief in the extension of unemployment compensation and to provide public service employment.

The Congress, in December of last year, on my recommendation, did pass a broadened, expanded public service law, and that legislation has been funded. It will be implemented on an accelerated basis. It, of course, is an add-on, in effect, to the Comprehensive Education and Training Act; CETA, as they call it.

This public service employment and this legislation is distributed to cities on a formula basis. In order to make it work well, if we do our job, we have to get cooperation from the cities, and I trust that our people are doing a good job. If they aren't let us know.

The 13-week extension of unemployment and the broadening of the unemployment legislation for better coverage also should be extremely helpful. In this legislation there are some provisions that give some special help to rural areas in the sewer and water project aspect.

We have as deep a concern about rural unemployment as we do about municipal unemployment.

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In addition, there is a provision that provides for some funding of rather short-term public works projects. Our experience in the Federal Government has been that some of the long-term public works projects are not as helpful in meeting an acute problem of unemployment as the public service employment legislation.

Nevertheless, there is a provision in this act to give some funding. I think it is \$150 million for relatively short-term public works projects that can be implemented or executed rather quickly. So, there is new legislation, there are funds on hand to meet some of your acute problems.

The long-term unemployment problem we face is one that has to be corrected by making our economy more healthy, and the actions that I recommended, the tax cuts of \$12 billion to be rebated to the taxpayers by June 1, if Congress acts by April 1, should give a shot in the arm.

The \$4 billion help as far as business is concerned, if Congress acts, ought to accelerate plant modernization and equipment improvement. This, of course, should have a beneficial impact on unemployment.

I am sure that Frank Zarb, the head of the FEA, or Secretary Morton, who is in charge of the energy task force or energy committee, mentioned to you the payback to State and local units of Government for the added energy costs if the Congress approves the proposal that I have for increasing the import duties on fuel oil or the refinery tax on crude oil of \$2 a barrel.

We expect to collect roughly \$30 to \$31 billion from that, plus the windfall tax profits on the profits made by the oil refiners. And out of that \$30 to \$31 billion we have allocated \$2 billion to be returned to the States and local units of government to reimburse you for your added costs because of higher costs for energy.

This will be rebated to you on the general revenue sharing formula basis. In other words, assume there is \$2 billion. It will go back to State and local units of government on that formula basis.

In addition, I might add that in the budget that I am submitting, the legislative program I am recommending for this next fiscal year, I am proposing that we extend for five and three-quarters years a general revenue sharing legislation.

I think it has worked. It has worked because all or most of you have tried to make it work, and the net result is in my opinion it ought to be extended for five-plus years.

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I trust that you will have a constructive impact on the Congress in making sure that that recommendation is enacted into law. (Laughter)

In the process of putting together the economic program, I had to make some hard decisions. All of you make up your budgets at a State and local level, and you have had to do the same.

We found, for example, that if no new programs were enacted and we simply extended existing programs, that the deficit for the Federal Government for this current fiscal year ending June 30, the deficit would be over \$30 billion and that the deficit for the next fiscal year, beginning June 1, would be \$45 to \$46 billion.

So, the net result is, with no new programs we would have roughly \$75 to \$80 billion in deficits. That is a lot of money. I don't care how you add it up.

But despite that unfortunate fiscal situation, it was my judgment that we ought to recommend a tax reduction, as I have described it. However, in order to justify the tax reduction, I had to make several other hard decisions, one of them, no new spending programs, period.

I am not going to recommend any, and I have said if the Congress sends them to the White House, they will be vetoed. That had to be a condition for the tax reduction.

Number two, I had to take a look at some of these Federal programs that have built-in escalators, predicated on the cost of living increases, such as Federal Government pay, such as Federal Government retirement, military retirement, Social Security, all of them have built-in escalators, predicated on the increases in the cost of living.

I have said that the Congress had to work with me to hold the lid on those increases. We are not going to deny people an increase, but we have put a cap of 5 percent on the increases. That means that there will be some reduction from the anticipated increases, but not much.

As I said in the speech yesterday, this is the time for sacrifice and, if everybody doesn't sacrifice a little, we are all going to be in serious trouble, and we are in bad enough trouble right now.

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I hope the Congress will respond. If that cap is included, it will save, as I recollect, roughly \$10 billion. Isn't that right, Bill? It will save roughly \$10 billion in the 12-month period.

It does provide, as I said a moment ago, no permanent freeze, no reduction. It is simply a 5 percent increase in those escalated programs, pay, et cetera.

In the energy program we had to make some hard decisions. You could have gas rationing. Some people have advocated that. We aren't going to solve the energy supply program within a year. As a matter of fact, it will be five years or more before we have an adequate supply of energy to take care of our own domestic demands.

So, if you are going to have gas rationing, you have to plan it on a five-year basis, not on a one-year basis. I don't think a five-year gas rationing program is sustainable.

In wartime, World War II, it worked, but in this situation, I do not think a five-year gasoline rationing program would be accepted. And it really isn't the answer because it wouldn't provide any incentives for new sources of energy in the United States, and that is what we have to do, is provide new sources of energy.

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Now, I know, in the program we proposed, there are some people in the Congress and maybe some of you who are concerned about geographical discrimination. I have been assured by Secretary of the Interior and by Mr. Zarb that there will be no adverse, undue hardships to New England or the Northeast United States.

I have their firm commitment that with the taxes imposed or import duties levied on foreign oil imports, there will be no undue hardships in any geographical part of the United States. I have also been assured by people in the Executive Branch that no industry will suffer undue hardships.

So, if you do have any problems, there is the man to see, right there. (Laughter.)

All right, now let's turn to one other subject. As we examined the problem of how to increase our supply of energy, as we tried to find ways to cut down on use through conservation, we had to take a look at the problems of energy vis-a-vis environment. Let me give you an illustration of how cooperation in the Executive Branch of the Government has brought about unanimity, and I think we have now a program that will permit us to keep a high standard of emission controls on automobiles and at the same time get written commitments from the automotive people that they will increase the efficiency of the automobiles in the next five years by 40 percent.

They have agreed to this program in writing, if we would support the change of emission standards to be the standards in the State of California. You really have three standards. You have the current Federal standards. You have the California standards, and you have the standards written in the law that was passed several years ago that are higher than all the other two.

The Environmental Protection Agency, under Russ Train, has agreed to support a change in the law as long as we agreed to support the California standards. This means that we will get substantial savings in the utilization of gasoline in new automobiles. I can't recall how many, I think it is 500,000 barrels a day, isn't it, Frank? We save 500,000 barrels a day with a 40 percent increase in the efficiency for automobiles.

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All I am trying to say is that we have worked extremely hard to get a sound balance between energy and environment, and Russ Train, head of EPA, has agreed that the California standards in this case are sound.

When you come right down to it, as I said yesterday, we are in trouble. I think we have got some answers. The responsibility now is on the shoulders of the Congress. I have been assured by the Democratic as well as the Republican leadership that they will cooperate with us. I hope they will pass my legislation intact, but that may be too much to expect.

They have a responsibility, but we need action, that is the main thing, and we need it promptly, both in the economy and in energy. So, I hope that you with your vast political background and support can urge the members of the House on both sides of the aisle to move as rapidly as possible in these two very vital areas.

If they act on legislation, I think we can have some answers to these two very perplexing problems that the country faces. As I said yesterday, if we do what is necessary at home, the impact abroad will be most significant. It will restore our own confidence and it will reinvigorate the trust and belief that others throughout the world have in the United States.

I am an optimist. I think the Congress will act. I think we will execute the programs and instead of hanging together, we can enjoy the future together.

Thank you very much.

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(AT 3:09 P.M. EST)