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THE WHITE HOUSE

REMARKS OF THE PRESIDENT
AND QUESTION AND ANSWER SESSION
TO THE
NEW YORK SOCIETY OF SECURITY ANALYSTS
THE SECURITY ANALYSTS BUILDING

4:33 P.M. EST

THE PRESIDENT: Mr. Carlson, Senator James Buckley, Attorney General Lefkowitz, members of the New York Society of Security Analysts, ladies and gentlemen:

First, let me express my deep appreciation for the opportunity of being here today. In the last week, while the Congress has been in recess, I have been to Atlanta, to Houston, to Topeka, Kansas, and now in the lower end of Manhattan.

I am looking forward to equal opportunities in the several weeks ahead to tell a story that I think has to be told, whether it is in the South, the West, the great State of New York or elsewhere. With your indulgence, I would like to make a point or two on something that I feel very strongly and very deeply about.

I understand there have been a very great many rumors going on around this town about the reason for my visit to your organization. Before I begin, I would like to deny one of them. There is absolutely no truth to the rumor that I have come here to deliver care packages from Alan Greenspan. (Laughter)

It is a great honor and a privilege to be speaking to your society here today because in many, many ways, we have shared the same problems, but we have also shared the same hopes and basic optimism.

Looking to the future, I am confident that you, in your portfolios, and me, in the polls, have seen our lows for the year. (Laughter) Of course, I realize that not everyone shares that optimism.

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(OVER)

Last Sunday my good friend, George Meany, was on network television to announce that the sky was falling in, and I have to admit that some of the economic forecasters, some of my own advisers, have been strong on clouds and weak on silver linings.

But if I may paraphrase Mark Twain, the reports of the free enterprise system's death or demise have been greatly exaggerated.

Take a second look at the gloomy forecast. Even the best forecasters sometimes have trouble. Grim statistics tend to assume a life and a momentum of their own. So, when the rate of joblessness has gone up 3 percent in the past year, the tendency among some forecasters is to look for a further rise, not a turnaround.

Forecasts are only forecasts. They are not divine commandments carved upon stone.

The thing we should concentrate on now, as I see it, is not what someone has forecast, but what we can do to change things for the better. America's economic future does not depend upon paper projections.

I concede we are in a very difficult situation, but if we approach it with a practical, tough-minded optimism, we can cope. An economic illness is like any other illness. Too much medicine or too little medicine can make it worse. The crucial issue is how much treatment to give.

This was what I had to decide in drawing up a comprehensive economic program. Too small a tax cut would not really help the average citizen. Too large a Federal deficit would soak up too much capital and fan the flames of inflation.

A realistic balance has to be struck. The program I have submitted -- after a great deal of time and attention and the best and most expert advice I could get -- comes as close as possible under present conditions.

The \$16 billion tax cut would not just benefit the individuals and businesses receiving it, it would provide an immediate stimulant to the economy. It would pump fresh money into consumer goods and services and, at the business end, into new jobs and greater productivity.

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I am hopeful that we can and will have unemployment down by the end of this year, but in stimulating the economy to create more jobs, neither the Congress nor I can afford to remake past errors. We cannot forget the dangers adopting policies that will surely set off another round of uncontrolled inflation during 1976 and thereafter.

Unemployment is the biggest concern of the 8.2 percent of American workers temporarily out of work. But inflation is the universal enemy of 100 percent of our people in America today.

It is my very firm conviction that we must not fight recessionary problems with inflationary cures, and we don't intend to do it if I can prevent it.

Naturally, I will work with the Congress to avoid this danger and will use my veto, if necessary, to protect the American people from the effects of new Federal spending programs, except for energy.

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The budget for fiscal 1976 which I proposed to Congress calls for a \$16 billion reduction in Federal taxes. It includes an expansion of \$36 billion or 11 and one-half percent in Federal expenditures. That is more than I would have liked, but that is what resulted primarily from programs that are on the books that simply grow and grow as long as more people become eligible.

Some people allege those programs are uncontrolled. And in the past that has been a frequently used term, that the budget reflects uncontrollable items.

We are introducing a new word at the White House. We don't accept uncontrollable expenditures and we expect the Congress to work with us in doing something about so-called uncontrolled Federal expenditures.

Now let me revert, if I might, back to the budget that was submitted. It does propose a deficit of \$52 billion for the next fiscal year beginning July 1. And by any standard that is a lot of stimulus -- a billion dollars a week in deficits, and an expenditure figure for the next fiscal year of \$349 point-some expenditures, almost \$1 billion of expenditure per day by the Federal Government.

By any standard, I repeat, that is a lot of stimulus, and yet I do not believe, as we have looked at the total picture, it is too much under present circumstances. I believe that a deficit of this size can be financed in fiscal year 1976. I cannot say the same -- and I emphasize and re-emphasize -- I cannot say the same for a much larger deficit, which will result, if the Congress does not support my recommended \$17 billion cutback, in some previously programmed Federal spending.

Quite frankly, that is why I pledge to hold the line on **old spending and draw the line on new spending.**

I feel very strongly that we cannot afford to lose this battle or our economic recovery will end up again in another inflation-recession cycle. The current recession is compounded by the energy crisis. I think we recognize that. Neither problem can be ignored. Each makes solving the other much more difficult.

Now, some would like to forget about the energy challenge and concentrate all attention and all of our resources on our current recession. I only wish that we could, but we simply cannot afford to turn our backs on a growing vulnerability to unreliable foreign sources of oil, foreign sources of energy, if you will.

We can still avoid a disaster that could wreck not only our economy, but the economic structure of the industrialized democracies throughout the world.

Without question, there is a link between economic problems at home and the world energy situation, and the complications posed by the international oil cartel, and most Americans are well aware of it.

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It is my hope that a responsible majority of both political parties in the Congress will not only recognize the existence of the problem, but agree that we have to find a solution.

We cannot afford -- as I see it -- any more wasted time, and let me refer, if I might, to what happened over the last several years.

I can recall very vividly when I was in the House of Representatives, three years ago, and people were talking about an energy problem and recommendations in good faith were made to solve it and Congress held some hearings, and for all intents and purposes, nothing developed; no real answer in the field of conservation, in the field of additional production.

We had the unfortunate crisis of the oil embargo of October 1973. One would have thought that that crisis would have precipitated effective action -- again, recommendations, again, some minimal hearings; very little results.

And then I received on my desk in November of this last year a very sizeable document, which was the result of one full year of study by the best people from all sides, with recommendations and options on what we should do in the government to meet the problem created by our energy crisis.

Well, we have analyzed, and we are in the process of debating the options. Unfortunately -- and I say this with real sadness -- the bill that I recommended, S. 594, 167 pages -- is the compilation of the recommendations that I have made to the Congress. There are separate pieces of legislation. But here is a comprehensive plan to meet the energy problem. I say with some sadness that the Congress has been spending most of its time -- since this bill that I proposed was recommended -- on a four-page bill. It is called H.R. 1767, and the House of Representatives passed it by 300-something to 110, as I recollect.

But, let me just read the title to you: "To suspend for a 90-day period the authority of the President under Section 232 of the Trade Expansion Act."

Now, if the Congress passes this, four pages takes five weeks or thereabouts, and all they will do is take a step backward. It would have been an awful lot more productive if they had spent that five weeks looking at this bill. And, if they find something they want to delete or add to it, that is fine; or better, if they would present a comprehensive plan of their own. We don't say we have all the wisdom, but we at least have a plan. And the Congress is wasting its time on a four-page bill that would step backward. I think the time for action affirmatively has come.

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So, to get moving, we have to begin now. Unless we do, our domestic oil and gas supplies will continue to dwindle, and costly and unsure imports will obviously grow.

It is my judgment that we must take immediate steps to reduce our oil consumption from overseas sources by one million barrels per day, and in the process, develop new domestic sources of all natural gas and other sources of energy.

Unless we do so, our dollar outlay for petroleum will continue to increase very dangerously.

Let me cite some figures. In 1970 our dollar outlay for foreign oil imports was \$2.7 billion. Last year, 1974, our dollar outlay for foreign oil rose to \$24 billion. If no action is taken, no action, this kind of action, by 1977 our dollar outlay could increase to \$32 billion per year.

The United States, as many of you know, consumes approximately one-third of the world's total energy output. Prompt, positive, American leadership is essential to any hope for the world emerging from this crisis.

My Administration, as I have indicated, has offered a comprehensive solution. If we do not act now, there will be unacceptable costs to the United States, both domestically and internationally.

Admittedly, my proposal -- and I don't want to kid you or anybody else -- may be costly. They may be inconvenient, as will any program to deal with the problem, but the cost of my energy proposals will be largely offset through the following:

In other words, as we take in revenue from the oil import levies, or revenue from the refinery tax on domestic oil, or from the windfall profits tax, those added costs will be offset in the following way:

A 1975 tax reduction of \$16.5 billion to individual taxpayers through the process of a revision of the withholding schedules for this calendar year, and a \$6 billion tax reduction for business, for its added energy cost -- my recommendation is to reduce the corporate tax rate from 48 to 42 percent so the individual taxpayer would get a reduction totalling \$16.5 billion and business would get a \$6 billion tax reduction in the manner that I have indicated.

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Now, \$2 billion of the \$30 or \$31 billion worth of added revenues would go back to State and local units of government because they have added energy costs and the formula for redistribution to them would be under the general revenue sharing procedure.

Then I should add that there would be a \$2 billion payment to the people in the lower end of the spectrum in our economy, and they would get a direct cash payment.

Let me just summarize, if I might, very quickly. Each of these measures was carefully thought out, each is a part of a master plan and each interlocks with the other. At the same time, by keeping the lid on all new Federal spending programs not connected with energy, the Federal deficit would be kept to the lowest possible minimum, not as low as I would have liked under ideal circumstances, but as low as I think we can allow it to be and still meet the government's mandated obligations while mobilizing Federal resources to turn back the recession.

National recovery also depends on a decisive, purposeful energy policy, an American energy policy. Now, let me tick off some of the essentials of that.

Only by cooperative efforts among the major industrial nations and a constructive dialogue with the oil producers can an equitable oil price be restored. Only by new mechanisms of cooperation and mutual support can the industrial democracies safeguard their economies against a new embargo or international financial disruption.

Only if the United States takes the lead now will our partners have any hope of an ultimate solution or an incentive to commit themselves to cooperation with us, and only with a determined national effort to reduce and to end our growing dependence on imported oil can we and our partners recover control over our economic destiny.

In meeting the energy challenge, I seek cooperation, not confrontation with the Congress. But in order for us to work together, the Congress must do more than criticize and until the Congress does something more, it will be part of the energy problem, not part of the solution.

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The intent of governmental action is to provide the most efficient and open assistance to enable the financial community to respond most effectively.

You must help provide that leadership. I happen to believe, and believe very strongly, that America will meet that challenge. Your success will be essential to the renewal of our overall economic system.

A security analyst once told me that the most frequent request made of your profession is the following: Don't tell me what to buy, tell me when. (Laughter)

Well, I would like to give a very personal answer to that question today. I would buy America, and I would buy it now.

Thank you very much.

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QUESTION: Mr. President, my question is: Would you agree to defer your energy taxation program if unemployment increases substantially this year from present levels -- from, say, 9-1/2 to 10 percent?

THE PRESIDENT: First, it is my judgment -- and it is the opinion of the advisers that I have -- that we are going to have an unemployment figure of the magnitude to which you refer. As a matter of fact, I said in my remarks that by the end of the year it is my judgment that unemployment increases will have terminated and will be starting in a more optimistic direction.

It seems to me with the assumption that I have made that it shouldn't deter me from proceeding with the energy program that I have recommended. We are kind of locked in for the moment with the Congress, with me offering a plan and Congress trying to take away the pressure that I can exert.

I think before we are through, I think it is obvious there will have to be some getting together between the Congress and myself, but I am open to their recommendations. But I have to -- because the problem is so severe, the potential danger is so great -- move forward.

As I said during my remarks, for three years, to my memory, we have had talk and no action, so I intend to push. I think it is right and I think we will get a solution without interfering with the recovery of the economy.

QUESTION: Mr. President, you, yourself, have said that in relations with Congress compromise is probably going to have to be the answer. In your tax program, wherein lies compromise, is it the magnitude, the timing, the allocation, or what?

THE PRESIDENT: As I have indicated, I proposed a \$12 billion tax rebate to individuals predicated on their 1974 tax payments, which amounts to about a 12 percent rebate with a \$1,000 cap.

In the business area, I recommended a \$4 billion tax reduction with a one-year increase in investment tax credits from four percent to 12 percent for utilities and from seven to 12 for businesses generally. I think that is a good balance.

The House Committee on Ways and Means has bought a good bit of what I recommended, but not entirely or not precisely. They have taken half of \$16 billion personal income tax change and recommended that it be done the way I proposed it, with a \$200 cap. I think a \$200 cap is too low. I don't think it will have the kind of stimulant I think is needed in the economy.

They have taken the other half of the \$16 billion on personal income tax reduction and jiggled the withholding for 1975. I don't think that has any immediate stimulant to the economy. It is reflected over the next seven months providing they get it passed within the next few months.

Then -- of course, that is only the Committee recommendation; the House can change it; the Senate Finance Committee can change it; the Senate could change it, and then they have to go to conference.

I have been in enough conferences to know conferences can significantly change a legislative proposal from the House and the Senate. I am going to stick with my proposal until I see what the Congress eventually comes up with.

We think ours is the best balance to get the needed stimulant and the most constructive action from the point of view of business. I hesitate to commit myself to what a committee has done when they have a long and tortuous road before they send anything down to the White House.

I just want them to act, and it does bother me. I must say this: In my State of the Union Message on January 15, I told them what we wanted, what I thought was needed. I had people up there testifying as soon as their committees were organized, and you know, the House of Representatives won't act on that until next week or the following week, and that is almost five weeks.

Then they have the Senate process and then they have to go to conference. I wish the Congress would act much more quickly, and that is one reason we recommended a very simplified proposal.

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QUESTION: Mr. President, I am Jerry Moran, Scudder, Stevens & Clark.

If your advisers' forecast of the rate of unemployment does prove to be low by 1 to 2 percent, by what amount would you consider increasing your tax reduction program?

THE PRESIDENT: As I answered earlier to the gentleman who asked the first question, I don't assume that our forecasts are inaccurate. In fact, I am more optimistic than they, or the computers are -- let me put it that way. (Laughter)

I am even more optimistic than Alan. (Laughter)

And I guess you have some customers who are more optimistic than you. (Laughter)

So I am going to stick with my tough-minded optimism. I think I would answer it this way without accepting the premise that you have propounded, that if -- well, it is pretty obvious what I recommended indicates my ideological belief that a tax reduction is better than increased spending. I think it is much more sensible.

As a matter of fact, I tried to hold spending down and I gave the stimulant, as I recommended it, to a tax reduction. Now, by giving that answer, I don't want anybody in the press or here to believe under any circumstances that I think the unemployment figures are going higher than what my advisers have told me or what I have said personally. But I just want you to get a little touch of my philosophy.

QUESTION: ERDA last week awarded a \$350,000 contract to a private company acknowledged to be at least a year and a half ahead of all U.S. laboratories in the quest to harness nuclear fusion via high-power lasers. Since fusion is considered by most the ultimate power source. Why the tokenism in this respect when major funding is required?

I take it we are all serious about Project Independence. Can't bureaucratic red tape and inter-agency jealousies be set aside so we can get on with a crash program in this area? (Laughter)

THE PRESIDENT: Let me answer it this way: Some Presidents in the past have been criticized for getting deeply involved in the awarding, or non-awarding, of contracts to individual firms seeking government business. I am not going to get involved in one or the other on awarding or not awarding .

I can tell you this -- and then I will ask Frank Zarb, one of your former cohorts here, to give you an answer -- we have increased in the 1976 budget the research and development money for a wide range of energy research and development from \$1.6 billion in the current fiscal year to \$2.2 billion in the forthcoming year.

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We have made available, or we have recommended to the Congress as much money and probably more than many scientists say we can profitably and intelligently use. But I said we would bend over backward on the affirmative side rather than on the restrictive side.

So I will let Frank answer the specific. There is money. There will be money for all legitimate research and development projects and programs in the next fiscal year's budget. And leave it up to Bob Seaman and the people over at ERDA to give a technical evaluation and a technical judgment, but we want good projects pushed and there is the money for those purposes.

One more and then I better go. I have to talk to some of Nelson's friends tonight. (Laughter)

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QUESTION: Mr. President, do you feel that recent announcements by the Central Bank of Iran indicate a policy that will eventually result in OPEC nations demanding a mixed basket of currencies or payment in some other currency rather than U. S. dollars for oil exports?

THE PRESIDENT: With apologies, I think I better let Alan Greenspan answer that and he will be here, along with Frank Zarb, after I leave, if you would excuse me.

Well, I will take one from the lady over here.

QUESTION: Mr. President, my question is: If the government borrows \$52 billion to cover its deficit, what credit will be left for businesses and consumers?

THE PRESIDENT: I have been assured by Alan Greenspan, by others that advise me, who are experts and who are technicians, that that amount of borrowing or the amount of borrowing that reflects that deficit can be met in our financial circles. I said in my remarks, as you may remember, I think if Congress doesn't respond to the recommendations I have made to hold the line to the extent of \$17 billion on additional spending, so they go from \$52- to \$69 billion, then my curbstome opinion is that the problem you raise becomes somewhat serious.

So, I urge you to urge your Senators and your Members of the House to take a good strong position on cutting back that \$17 billion. It is important because we don't want to have to borrow \$17 billion more; \$52 billion is enough.

Thank you very much.

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AT 5:08 P.M. (EST)