The original documents are located in Box 3, folder "Economic And Energy Proposals - Spokesman's Briefing Book, Jan. 27, 1975 (1)" of the Richard B. Cheney Files at the Gerald R. Ford Presidential Library.

THE PRESIDENT'S ECONOMIC AND ENERGY PROPOSALS

-- Scope of the Problem
-- Rationale For the Program
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THE PROBLEM (draft)

January 27, 1975

New Directions

As Gerald Ford enters the first full year of his Presidency, America is a troubled land:

-- Millions of men and women are out of work, and the economy appears to be sliding into the worst recession since World War II.

-- The country has just completed its worst year of peacetime inflation, and rising prices are still eating away at personal incomes and at hopes for the future.

-- And the nation has become increasingly vulnerable to the pressures of OPEC, an international oil cartel that gathered in $25 billion from American consumers during 1974 and promises to drain even more Western resources in 1975.

The challenges are complex and tough; they require strong leadership both at home and abroad.

President Ford has accepted those challenges. He has given the country the unvarnished truth -- "the State of our Union is not good" -- and he has come up with a program that will finally set the nation in "new directions":

-- a direction that will restore jobs and personal security;

-- a direction that will protect pocketbooks from the ravages of inflation; and,

-- a direction that will eventually free the country from the yoke of the foreign oil producers.

But how did we get into this mess? And how will the President's program get us out?

How We Got Here

While economists vary in their interpretations, there can be no doubt that America begain taking the wrong economic road as early as the mid-1960s. We geared up for a great little war on foreign shores and for a Great Society here at home, but our political leaders refused to raise the money to pay for it. It was easier and more popular to create a false prosperity and leave the bills for later -- for today's generation. The result was that we have had almost a decade of economic practices in Washington -- excessive Federal spending and easy money policies -- that have created strong underlying forces of inflation within the economy.

As inflationary forces were building up in Washington, we also had a series of largely unforeseen and uncontrollable events in the early 1970s that doubled the pressures on prices quickly sending them through the roof. There were crop shortages here and abroad in 1971, 1972 and 1973, driving up food prices. Most of the major industrialized nations, marching more closely together as their economies have become more interdependent, experienced a simultaneous boom in the early '70s putting further demand pressures on the prices of many commodities. Because the dollar was overvalued, the United States had to devalue it twice, increasing foreign demands for our goods. And the oil cartel quadrupled the price of international oil.

(Tripled?)

Prices in the United States began shooting upwards past the double digit mark, and -- little noticed at the time -- the inflation then had a secondary effect: it started the economy on a downward spiral into a recession. As prices went up, consumer confidence went down, bringing the biggest drop in consumer purchases since World War II. As inflation helped to drive up interest rates, the housing market also went down, and housing -- nation's largest industry -- fell into a horrible slump. Inflation was thus a major factor in creating the recession and remains a fundamental long-term problem.

When the nation embarked upon excessive fiscal and monetary policies in the mid-1960s, we also allowed our strength as an energy exporter to deteriorate rapidly. Our own demands for energy were rising quickly, but we were unwilling to offer the energy industry here at home sufficient incentive to increase production. In natural gas, for instance, government regulators held prices so low in order to please consumers that industry discovery and production wnet into a serious decline.

The result is that today America can no longer meet its own energy needs. We are dependent upon foreign nations for 40% of our oil. Other Western nations are even more dependent.

/It was probably only a matter of time before the oil cartel exercised the option that we virtually surrendered to them.

How the President Plans to Meet the Challenges

President Ford has devised a three-pronged attack on all three of these challenges: rece-sion, inflation, and energy dependence. It is complex in its details, but simply in concept. It is bold, but not reckless. It will require strong government action, but it will preserve the free enterprise system. And it will work.

In essence, here is what the President proposes:

-- To strengthen the recovery from the recession, the President proposes an immediate, across-the-board tax cut of $16 billion. Of that, $12 billion would be in the form of rebates on 1974 taxes for individual taxpayers, returning to them up to 12 percent of their taxes. The rest of the tax cut would be in the form of a one-year increase to 12% in the investment tax credit, thus spurring industrial expansion and creating new jobs. The intent of the tax refund is to give the economy a sharp, one-time stimulus that would lift us out of the depths without creating more inflation.

-- To curb inflation, the President proposes a moratorium on new spending programs outside the energy field and a cap on increases in social security benefits, military retirement pay and the like. Inflation is already showing some signs of abating, but the President believes it is critical to restore long-term discipline to our fiscal and monetary policies in order to eliminate this continuing threat.

-- To free us from dependence on foreign energy sources, the President proposes a stiff conservation program and a strong new program to encourage domestic production. Conservation would be achieved through a series of import fees, taxes, and tariffs that would raise the prices of most petroleum products. Gasoline at the pump, for instance, would cost about 10 cents more a gallon. At the same time, however, the President's program would preserve the purchasing power of average families by returning the additional fees to them through general tax reductions. The program is carefully designed to ensure that lower and middle income families are not hurt -- and indeed, some may come out ahead. At the same time, by allowing some increases in the prices of petroleum products, the President would provide incentives to the energy industry to increase production but he would prevent the industry from taking unfair advantage by imposing a windfall profits tax.

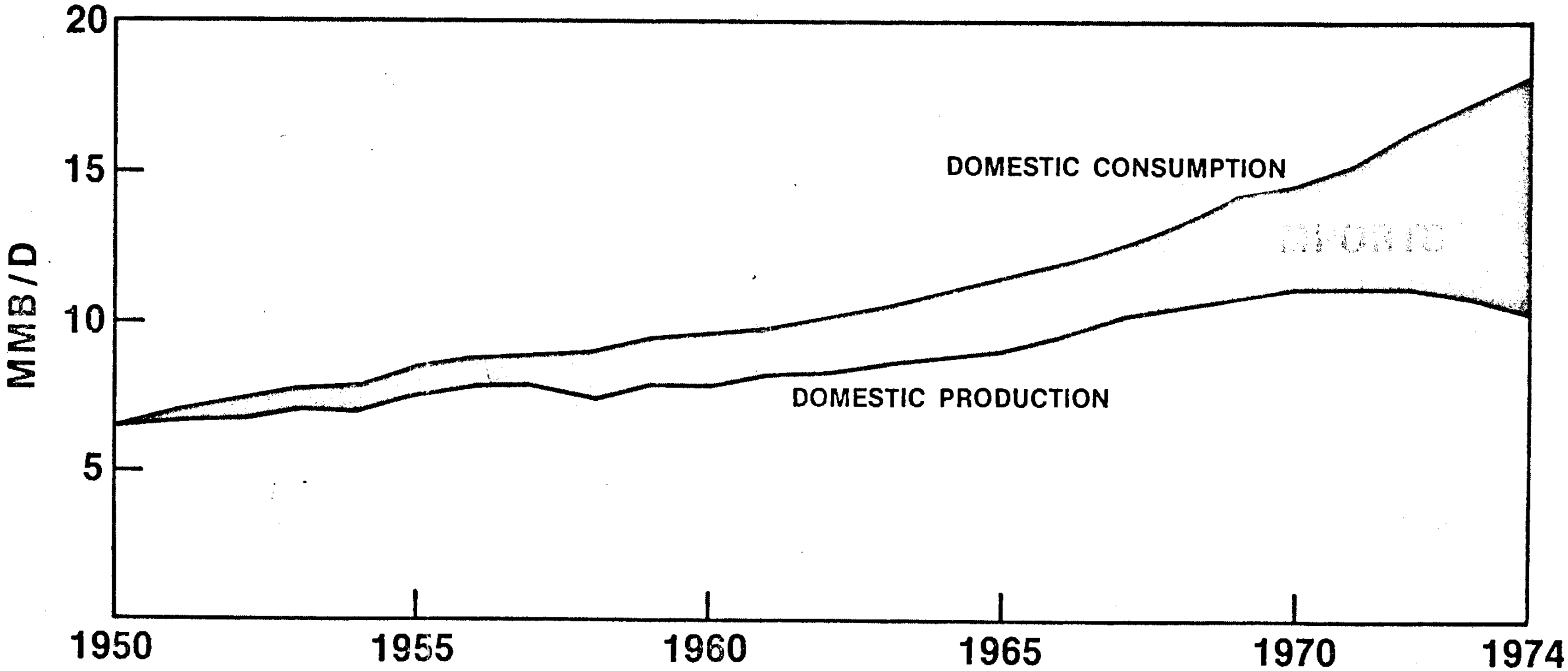
Need for Action

The President has thus put forward a tough, comprehensive, and integrated program. It would stimulate the economy through tax cuts to get us out of the recession. It would keep a lid on Federal spending to prevent a new round of inflation. And it would raise petroleum prices in order to encourage conservation and further domestic production, but it would deal fairly and equitably with consumers and producers alike.

As the President has said, "we have diddled and dawdled long enough. The time for action is now." America cannot wait. The crises are upon us, and it will take united action -- joining the President, the Congress, and the people -- to meet them successfully.

# # #

PETROLEUM TRENDS



THE PROGRAM (draft)

DRAFT
January 27, 1975

SUMMARY OF THE PRESIDENT'S ECONOMIC AND ENERGY PROGRAMS OUTLINED IN HIS STATE OF THE UNION MESSAGE

I. Background

President Ford's comprehensive program outlined in his State of the Union Message deals with the Nation's economic and energy problems. In the case of the economy, the Nation is faced with inflation, recession and unemployment. In the case of energy, the Nation is faced with growing dependence on energy sources that are under other nations' control and with a large outflow of U.S. dollars (and jobs) to pay for expensive oil imports. Our energy ~~program~~ problem is contributing to our economic problems.

The economic and energy policies that have led to our current situation are not new. Some such as excessive Government spending and lending and inadequate incentives for energy conservation and domestic energy production date back to the 1940's and 50's. Changes in these policies will provide the basis reversing current trends and regaining economic strength and security in the years ahead.

II. Important objectives of the President's program

The most important objectives of the President's program outlined in the State of the Union Message are those to:

- begin an early recovery from the recession.
- reduce sharply the growth in our dependence on foreign oil through steps to conserve energy and to increase domestic energy production.
- begin bringing Federal spending and budget deficits under control and lay the basis for a gradual return to price stability.

III. <u>Major elements of the President's program</u>

The major actions announced by the President and proposed to the Congress include:

A. To provide an early economic stimulus to the economy, the President has asked the Congress to approve a one-time tax cut of $16 billion applied against 1974 income.

B. To slow the growth in oil imports and dollar outflow, the President announced actions and proposals:

1. to promote conservation:

   - a fee imposed by Presidential order on imports of crude oil and petroleum products.
   - an excise tax on domestic crude oil and imported crude oil and products. This will require Congressional action and would replace the fee.
   - an excise tax on natural gas comparable to the tax on

petroleum. This will require legislation.

2. to promote energy production in the U.S. (most require legislation):

   - increase oil production from naval petroleum reserves.
   - convert electric utilities from oil to domestic coal.
   - remove Federal price regulation from petroleum and new natural gas supplies.
   - a number of other mid and long-term administrative and legislative actions (See Fact Sheet).

3. to recapture windfall profits:

   - a windfall profits tax on oil companies (requiring Congressional action.)

C. To offset the impact of higher energy costs particularly for low and middle income people and to restore purchasing power and growth in jobs and production, the President asked the Congress to approve the following permanent tax reductions totalling $25 billion annually beginning in 1975:

- Individual tax reductions of $16.5 billion beginning with an immediate reduction in taxes withheld from current earnings.
- Corporation tax reductions of $6 billion beginning with an immediate reduction in required payments.
- Payments to non-taxpayers of $2 billion annually.

- Tax credits to individuals of $.5 billion for actions (e.g., install insulation) to conserve energy use in homes.

D. To begin bringing Federal spending and budget deficits under control, the President:

- Announced that he will propose no new spending programs other than for energy and that he would not hesitate to veto new spending programs adopted by the Congress.
- Proposed to the Congress selected budget reductions and a five per cent ceiling on federal pay increases for 1975 and on automatic cost of living increases and government and military retirement pay and social security.

IV. <u>The relationship between energy taxes and permanent tax reductions</u>

The energy taxes will help provide the incentive for energy conservation while minimizing the impact on the economy. Specifically:

A. The new energy conservation taxes and import fees would raise $30 billion annually in Federal revenues:

- Oil excise taxes - $6.0 billion
- Natural gas excise tax - $8.5 billion
- Import fee increases - $3.5 billion
- Windfall profits tax - $12.0 billion

B. This $30 billion will be returned to the economy as follows:

- $25 billion in individual and corporate tax cuts described earlier, specifically:
  - $16.5 billion in individual tax reductions.
  - $6.0 billion in corporate tax reductions.
  - $2.0 billion in payments to non-taxpayers.
  - $.5 billion in tax incentives for home energy conservation.

- $2 billion in general revenue sharing payments to State and local governments to offset higher energy costs.
- $3 billion to offset higher costs of energy purchased directly by the Federal government.

C. The incentive for energy conservation will work as follows:

- Higher energy taxes will, of course, increase energy prices.
- Higher energy prices will encourage all energy users to look for ways that reduce their energy requirements, whether for gasoline, heating oil, electricity, etc. Some will find it advantageous to reduce energy consumption, others will find it advantageous to pay the higher price. Individuals and organizations can make their own decisions.
- The option of paying the higher price will be preserved for lower income people (who tend to be hurt most by higher energy prices) by the tax cuts which are designed to offset fully the higher cost that would result on the average for lower income people. In fact, the tax reductions generally will more than offset higher energy costs and will restore part of the erosion of purchasing power that has occurred as a result of inflation.
- Tax reductions will not fully offset higher energy costs for higher income people. Thus, higher income people

will have the greater incentive to conserve energy.

V. Additional details on the tax changes and Federal spending restraints

A. The one-time anti-recession tax

1. The $12 billion cut for individuals would be accomplished by a 12% rebate on 1974 taxes up to a $1,000 maximum per return. When Congress approves the cut, rebates would computed by the IRS and payed in two installments; the first in May or June and the second in September 1975. Individuals do not make any changes in the way they prepare 1974 tax returns.

2. The $4 billion cut for corporations would be through a temporary increase in the investment tax credit from 7% to 12% and, for utilities, from 4% to 12% for 1975 investments.

B. The $25 billion per annum permanent change in individual and corporate taxes beginning this year would be accomplished as follows once Congress approves:

1. The $2 billion special distribution to non-taxpayers would be in the form of $80 payments each year for each adult (over 18 years of age) starting in the summer of 1975.

2. The $16.5 billion cut in income tax for individuals would apply beginning with 1975 tax rates. Reductions in taxes will occur for all Americans but with primary emphasis on low and middle-income taxpayers. Changes in

withholding would go into effect on June 1, 1975 and 1975 adjustments would be made so that a full 12 month reduction would be accomplished in 7 months from June through December. Tax rate reductions for 1975 and future years would be accomplished as follows:

- The low income allowance will be increased from $1,300 to $2,600 for joint returns and to $2,000 for single returns. This action will bring the level at which returns are non-taxable to approximately the current "poverty level" (e.g., $5,600 for a family of four).
- The schedule of income tax rates will be reduced for all taxpayers.

3. The $.5 billion tax incentive for energy conservation actions in homes would be in the form of a 15% tax credit applied to the first $1,000 of expenditures ($150 maximum over 3 years) for certain energy conservation improvements - such as storm windows and insulation.

C. The $6 billion tax reduction for corporations would be accomplished by cutting 1975 and future tax rates from 48% to 42%.

VI. Additional details on energy goals and programs announced by the President

A. The near term (1975-1977) energy goals of reducing oil imports by 1 million barrels per day by the end of 1975 and 2 million by the end of 1977 would be accomplished by the following:

1. Administrative actions taken by the President:

a. Imported fees. An increase in import fees on crude oil and petroleum products of $1 per barrel effective February 1, 1975; an additional $1 effective March 1; and another $1 effective April 1, for a total increase of $3. 00 per barrel. (Current fees will remain in effect.) To help offset regional impact of the import fees, FEA's "Old Oil Entitlements" program will cease covering imported products effective February 1 and such products will receive a rebate of approximately $1. 00 beginning in February, $1. 40 beginning in March, and $1. 80 beginning in April.

b. Crude oil price decontrol. Steps will be taken to remove price controls on domestic crude oil by April 1, 1975 (action subject to Congressional disapproval).

c. Backup import control program. Presidential power to limit oil imports will be used to supplement other measures as necessary to meet near-term goals.

d. Public education. Information for the public on energy conservation methods and benefits will be increased.

2. Legislative proposals

a. The comprehensive tax and decontrol program -- (Outlined in Section ________, above). Consists of (1) Petroleum excise tax and import fee, (2) natural gas excise tax, (3) windfall profits tax, and (4) deregulation of new natural gas prices.

b. Elk Hills Naval Petroleum Reserve. Legislation would permit production from the reserve (NPR #1 in California) of 160,000 barrels per day early in 1975, increasing to 300,000 barrels per day by 1977.

c. Conversion to the use of domestic oil. Legislation would amend the Clean Air Act to permit a vigorous program to make greater use of coal in power plants, reducing the need for oil by 100,000 barrels per day in 1975 and 300,000 in 1977.

B. The Mid-term (1975-1985) energy goals of achieving the capability for energy independence by 1985 would be accomplished by the following actions to increase domestic energy production, reduce demand, and prepare for any future embargo.

1. Supply actions:

   a. Naval Petroleum Reserve No. 4 (Alaska). Legislation to authorize exploration, development and production to provide petroleum for the domestic economy, with 15-20% earmarked for military needs and strategic storage.

   b. OCS leasing. The President reaffirmed his intention to continue an agressive Outer Continental Shelf leasing policy.

   c. Reducing domestic energy price uncertainty. Legislation to authorize and require the use of tariffs, import or price floors, or other measures to achieve domestic energy price levels necessary to cope with large-scale fluctuations in world oil prices and reach energy independence goals.

   d. Clean Air Act Amendments. Legislation to amend the Clean Air Act dealing with significant air quality deterioration, extending dates for complying with certain requirements for power plants, holding auto emission requirements stable for 5 years (1977-1981).

   e. Surface mining. Legislation which strikes a balance between environmental protection and reclamation requirements and the need to double domestic coal production over the next ten years.

f. Coal leasing on Federal lands. The President directed the Secretary of the Interior to adopt legal dilligence requirements for existing coal leases, meet with western governors on related problems, and design a new program of coal leasing.

g. Electric utilities. Legislation is being requested to assist electric utilities (many of which have had to delay new additions to capacity) through higher investment tax credits (increased from 4% to 12%, with the higher rate remaining in effect for 1976 and 1977 for all except oil and gas fired plants); mandated reforms in State Utility Commission practices; and other measures.

h. Nuclear power. Legislation to expedite siting and licensing of nuclear power plants and a 1976 budget increase for nuclear safety, safeguards and waste management.

i. Energy facilities siting. Legislation to encourage expeditious review and approval of sites and facilities at the Federal and State levels.

2. Energy conservation actions:

a. Auto gasoline mileage increases. An agreement with major domestic automakers to improve gasoline mileage by 40% on the average by 1980, compared to 1974 model year cars.

b. Building thermal standards. Legislation authorizing thermal efficiency standards for new homes and commercial buildings.

c. Residential conservation tax cut. Legislation authorizing a 15% tax credit on the first $1,000 of expenditures for certain energy conservation actions in homes (also described in section ______).

d. Low-income energy conservation program. Legislation authorizing direct subsidies to low-income and eldery homeowners for energy saving actions such as home insulation.

e. Appliance efficiency standards. The Energy Resource Council will develop energy efficiency goals for major appliances and seek agreements with manufacturers to achieve an average of 20% improvement by 1980.

f. Appliance and auto efficiency labelling. Legislation would require labels on automobiles and major appliances to show energy efficiency.

3. Emergency preparedness

a. Strategic petroleum reserves. Legislation to authorize the development of an expanded storage system of 1 billion barrels of petroleum for domestic uses and 300 million for military use.

b. Standby and planning authorities. Legislation to authorize participation in an International Energy Program and provide a set of emergency standby authorities including emergency energy conservation, fuel allocation, price controls for allocated products, rationing of fuels among end users, allocation of material needed for energy production, and regulation of petroleum inventories.

C. The long-term (beyond 1985) energy goals of maintaining energy independence and making it possible for the U.S. to export energy supplies and technology to others in the free world would be accomplished through such measures as:

1. Synthetic fuels program. A program of Federal incentives to ensure at least one million barrels per day equivalent of synthetic fuels capacity by 1985, using technologies now nearing commercial application such as synthetic crude from oil shale and a wide range of clean solid, liquid, and gaseous fuels from coal. Federal incentives might include price guarantees, purchase agreements, capital subsidies and leasing programs.

2. Energy research and development programs. The President's 1976 budget will continue to emphasize accelerated programs of research and development of technology for energy conservation and on all forms of energy including fossil fuels,

nuclear fission and fusion, solar and geothermal.

VII. Rationale for selected elements of the President's program
(to respond to questions often asked.)

Questions have been raised concerning why the President chose this particular program over alternative approaches, and why the program will achieve the goals shared by the American people. Some of these questions and the factors that were taken into account in developing the program are outlined below.

A. The economy

1. Why tax reduction now instead of higher Federal spending?

c. Unless Federal spending trends are brought under control, balance in the Federal budget will not be restored as the economy recovers from recession.

d. Continued large Federal budget deficits after the economy recovers from recession will fuel inflation; the country must over the long term live within its means.

e. Policies must be established that will lead to lower inflation at the same time as taxes are temporarily reduced to support recovery from recession.

f. Slack markets will keep inflation from rising during the recession; responsible budget and spending policies are essential when the economy recovers and markets tighten.

B. Energy

1. How do price increases encourage energy conservation?

a. Higher petroleum prices encourage lower usage of <u>all</u> petroleum products.

b. Taxes directly influence petroleum usage decisions instead of indirectly and after a long delay like a tax on heavy, low-mileage autos.

c. The expected overall response to higher petroleum prices, along with the other actions, is sufficient to meet the President's goals for energy independence.

2. Won't price increases for energy make consumers much worse off?

a. All of the increase in revenues that translate directly into price increases are returned to the economy (approximately $30 billion).

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b. Consumers will be able to purchase less petroleum but more other goods and services.

c. If the eventual rise in prices is larger than the revenue increase, e.g. through wage escalators, total purchasing power in the economy including that of consumers rises to compensate for these increased costs.

3. Why use the price mechanism instead of rationing?

a. There are no shortcuts; lower energy usage must occur either way.

b. In both cases, consumers will be able to buy less petroleum and more other goods.

c. The real issue is how to allocate (distribute) lower available supplies of petroleum.

d. Rationing cannot achieve a fair distribution of energy to meet changing business and consumer needs.

e. Maximum public participation in achieving conservation goals is elicited by using the price system because every individual user will respond to incentives for less usage of petroleum products.

4. Why is it so difficult to design a fair and simple rationing program?

a. A permanent program of rationing would be necessary to reduce energy dependence. If it were ever suspended, we would lose our self-sufficiency.

b. Rationing of gasoline only would mean a 25 percent reduction from current consumption levels, and another to reach our 1977 goals. Drivers would need to be held to an average of nine gallons per week; since some obviously need more, many would get less.

c. Rationing of all petroleum products would mean bureaucratic decisions on how much to allow for petrochemical production for plastic toys or industrial parts, for synthetics to make conveyor belts or for carpets, clothing and wigs, for products like fertilizer, antifreeze, lubricants and fiberglass boats.

d. Allocations would need to be changed for every birth, death, marriage, divorce, job change, or move by people and families; every time a business was started, merged, expanded, contracted, or bankrupted; and every time a church, school, nursery, government, or business added or subtracted space or changed location.

e. Managing just gasoline rationing would take four to six months to set up, employ 15,000 to 20,000 full-time workers, increase Federal costs by $2 billion, use 40,000 post offices for distribution, and require 3,000 local boards to handle exceptions, "equitable" adjustments, and hardship cases.

f. The type of questions a rationing bureaucracy would need to resolve include:

1) The low-income worker who owns an old car that gets only nine miles per gallon but can't afford to trade it in? His affluent neighbor who buys a new car that gets 22 miles per gallon?

2) The low-income family that heats with oil a small but poorly insulated house, while their wealthy neighbor heats a large, well-insulated house with gas?

3) The Montana rancher who drives nearly 600 miles per month and the Manhattan apartment dweller who drives less than 100 miles?

4) The family that has to move from New York to California and use up several months' coupons in making the trip? One out of every five families moves every year.

5) The family with sick members? The family that does turn off the heat in empty rooms and the family that does not? The family with few children and many rooms to heat and the family with many children but few rooms?

6) The migrant worker who drives large distances every year but can't afford a more economical car?

7) The shortages that would inevitably develop in areas where the coupons happen not to match the gasoline supplies?

8) The gas stations, with limited quantities to sell, that maintain only limited services and are always closed on evenings and weekends?

9) The collusion, counterfeiting and illegal activities that would inevitably develop?

DRAFT SUMMARY OF PROGRAM

The President's response to the material challenge of regaining control of our economic destiny is a program that is both comprehensive and complex. No simple or dimensional plan can solve the multiple problems of recession and unemployment, dependence on unreliable foreign sources for energy, and continuing inflation pressures. President Ford's program is designed to turn the economy in a new direction away from recession and unemployment, and toward vital progress in achieving energy independence. The program also recognizes that inflation pressures must be further reduced to support these economic and energy goals.

In his State of the Union Message, the President proposed a program which will require cooperation and sacrifices by all Americans in order to correct existing economic distortion and to prove our commitment to energy conservation and resource development. Unfortunately, easy solutions are not available. Nor will the desired results occur quickly.

The economic and energy proposals are interdependent. The success of the energy proposals will depend upon the creativity and growth of the U.S. economy. In turn, the economy will initially be affected by the new costs and taxes and necessary adjustments in the use of energy.

The President's State of the Union Message outlined a complete and comprehensive program to deal with all aspects of our economic and energy problems. It is a total package in which each element has an energy or economic value attached to it. If portions of the program are altered or not enacted, suitable replacements must be provided if we are to teach our economic and energy goals.

By signing the petroleum import fee Proclamantion on January 23, the President has taken the one Executive Action that is contained in his program. The rest is now up to the Congress, whom the President urged to act quickly on his proposals for short-term relief and long-term solutions.

In brief, the President's program includes: temporary and permanent tax cuts for businesses and individuals to put more money into the hands of people and to provide more jobs; a commitment to no new Government spending programs this year outside the energy field; a five-percent ceiling on automatic increases in Federal spending; and a program to achieve energy independence by 1985 through increased energy costs to assure conservation and to spur development of new energy sources.

THE ECONOMIC PROGRAM

To meet the immediate needs -- without waiting for the private sector to recover or for increased levels of Government spending to trickle down through the economy to help ease the serious problem of unemployment -- the President has proposed three important Federal tax actions:

(1) a temporary tax reduction of $16 billion;

(2) a tax rebate and restructuring system to return to the private sector the $30 billion to be collected by the energy conservation excise taxes and fees; and

(3) general tax reform later in 1975.

Tax Proposals

The temporary tax reduction of $16 billion is a stimulus intended to create more jobs by increasing personal spending and business investment. The $12 billion returned to individuals will be an important boost to consumer purchasing power which will also be improved in coming months by rising personal incomes and continued moderation in the rate of price increases. The $4 billion returned to businesses and farmers in the form of an investment tax credit of 12 percent will create additional jobs by providing an immediate stimulus to spending in 1975.

* * * * *

TAX REBATE PROPOSAL
Temporary Tax Reduction Based on 1974 Tax Obligations For
A Family of Four

Adjusted Gross Income	Present Tax	Proposed Refund	Percent Saving
$ 5,000	$ 98	$ 12	-12.0%
7,000	402	48	-12.0%
10,000	867	104	-12.0%
12,500	1,261	151	-12.0%
15,000	1,699	204	-12.0%
20,000	2,660	319	-12.0%
40,000	7,958	955	-12.0%
50,000	11,465	1,000	- 8.7%
60,000	15,460	1,000	- 6.5%
100,000	33,340	1,000	- 3.0%
200,000	85,620	1,000	- 1.2%

* * * * *

The second step involves a return of the $30 billion that will be raised by new energy conservation excise taxes and import fees and the windfall profits tax. The imposition of these taxes is a crucial part of the energy program designed to encourage conservation, but the new funds collected must be returned to the people in order to prevent a worsening of the recession.

These funds will be returned to the economy adjustments in the basic tax structure--a permanent tax cut. This restructuring is necessary to correct distortions caused by inflation, which has artificially increased tax burdens by pushing individuals into higher tax brackets and forcing businesses to pay taxes on inflated profits which do not properly reflect current costs or the replacement value of existing plant and equipment.

To return the $30 billion to the economy, the President has proposed that $16.5 billion be used to increase the low income allowance and to adjust the withholding rates so as to reduce personal income taxes, particularly for low-income and middle-income families; $2 billion will be committed to people who do not pay income taxes because of low incomes; $500 million will be set aside to cover tax credits to homeowners who add insulation or storm windows to conserve energy; $6 billion will be returned to businesses by reducing the corporate income tax rate from 48 to 42 percent; $2 billion will be returned to State and local governments through General Revenue Sharing payments; and the Federal government will keep $ 3 billion which represents its share of higher energy taxes.

This system will accomplish some needed tax reform and should neutralize most of the restrictive effects of increasing taxes and import fees by

$30 billion. Most families will receive a larger tax cut than the estimated energy taxes paid. Low and middle income families in particular will benefit.

* * * * *

PERMANENT TAX CUT

Structural Tax Reductions Combining Increase In The Low Income Allowance And Reduced Tax Rates For Family of Four

Adjusted Gross Income	Present Tax 1/	New Tax	Tax Saving	Percent Saving
$ 5,600	$ 185	$ 0	$185	100.0%
7,000	402	110	292	72.6%
10,000	867	518	349	40.3%
12,000	1,261	961	300	23.8%
15,000	1,699	1,478	221	13.0%
20,000	2,660	2,450	210	7.9%
30,000	4,988	4,837	151	3.0%
40,000	7,958	7,828	130	1.6%

1/ Calculated assuming Low Income Allowance or itemized deductions equal to 17 percent of income, whichever is greater.

* * * * *

Further tax reforms will occur later but the President has placed top priority on the 1974 tax rebates as a temporary economic stimulus and then on the combination of increased energy taxes and a permanent tax cut.

Federal Spending

The President has also reaffirmed his great concern about fiscal responsibility in restraining the upward momentum of government spending. He has called for a one-year moratorium on new spending programs -- other than the new energy proposals. He has also emphasized the need to have a tough position against increased spending by submitting budget recisions and deferrals to Congress last fall and in the proposed Fiscal Year 1976 budget.

He has also called for the Federal Government to set a national example by placing a limit of five percent on increases in Federal salaries and and on cost-of-living adjustments for Government and military retirement pay and Social Security benefits.

Despite these efforts the estimated Federal deficit in Fiscal Year 1975 will be more than $30 billion and the Fiscal Year 1976 shortfall is now projected to be about $50 billion. These massive deficit projections should not prevent moving ahead on the temporary $16 billion stimulus package or the structural tax adjustments proposed, but they do emphasize the extreme importance of holding down Federal spending to reduce the deficits and to provide greater fiscal flexibility in responding to changing economic conditions.

<u>Summary</u>

The President's economic proposals build on the vast array of programs included in the cumulative Federal budget system. They include many of his specific recommendations for improving the efficiency of the economy which he presented to Congress last October 8th. The new initiatives highlight the three-step tax program, beginning with the temporary income tax stimulus, and a strong Presidential appeal to hold down Federal spending to moderate the record-level deficits expected. These programs properly focus on improving the employment outlook in the private sector where most of the jobs are located. But there is continued emphasis on fiscal and monetary responsibility in avoiding some of the excesses of the past which unfortunately contributed to the boom-to-bust sequence of economic activity.

The country needs a strong and balanced economic program from the Federal government to create the necessary environment for private sector response. The President's economic proposals are carefully integrated with his energy initiatives. They are designed to stimulate economic recovery without generating excessive inflationary expansion pressures.

ENERGY PROGRAM

The President's energy proposals are designed to achieve energy independence for the United States by 1985 through a combination of conservation and developing new domestic energy sources. Without action to reverse the trend toward dependence on unreliable Foreign energy sources, the U.S. would be dependent on Foreign sources for one-half of its petroleum needs by 1985.

President Ford's comprehensive energy policy has three principal short-term, middle-term and long-term goals:

(1) to reduce imports by one million barrels per day by the end of 1975 and two million barrels per day by the end of 1977;

(2) to eliminate U.S. vulnerability to embargoes by 1985 by cutting imports to 3-5 million barrels per day, all of which would be immediately replaceable in the event of an embargo, from emergency storage and by stand-by measures; and

(3) to assure long-run stability of world energy supply and prices by having the capability of supplying a significant share of the free world's energy needs after 1985.

SHORT-TERM PROGRAM

The President initiated his program to assure conservation of petroleum products and spur development of new energy sources through higher energy costs on January 23 when he signed a Proclamation putting into effect increased fees an petroleum imports. The three-stop increase raises the per-barrel Fee on imported petroleum by $1 on February 1, by, $2 on March 1, and by $3 on April 1.

Since some areas of the country -- particularly New England and the Northeastern States -- depend heavily on imports of refined petroleum products, lower import fees will be imposed on these products. No increase will be imposed on February 1, with a 60¢ - per barrel increase on March 1, and a $1.20 increase on April 1.

The President's action is intended to cut imports quickly and to increase the price of all petroleum products by less than 5¢ per gallon after taking Full effect (after April). The actions taken by Proclamations are temporary -- to be effective until Congressional action is taken on the President's energy tax purposals.

The short-term legislative proposals made by the President include a $2-per-barrel fee on all petroleum imports, a $2-per-barrel excise tax on domestic crude oil, and a 37¢-per thousand-cubic-feet excise tax on natural gas, which equates to the $2 tax on oil.

To stimulate production and further cut demand the President also announced that steps will be taken to remove prive controls on domestic crude oil beginning April 1.

The President has also renewed the long-standing Administration request to Congress to remove Federal wellheadprice controls on the production of new natural gas. This proposal aims to provide needed economic incentives to gas producers to invest the massive capital sums required for expanded domestic exploration for new supplies of natural gas.

Congress has also been asked to amend the Energy Supply and Environmental Coordination Act of 1974 to allow increased conversion of electric power generation plants to the use of coal from oil and gas.

And legislation has benn requested to allow commercial production of oil from Naval Petroleum REserve #1 in California (Elk Hills) for domestic use.

The combined effect of these actions will be to reduce our petroleum imports by one million barrels per day in 1975, and by two million barrels per day by the end of 1977.

Increases in natural gas prices resulting from removal of Federal price controls will reduce demand and increase supply, and will act to reduce and eliminate the widespread curtailments and unemployment which have resulted from shortages of available natural gas.

Implementation of the complete Presidential short-term energy program would increase the average family's energy bill by about $250 per year, but in the lower- and middle-income groups, the increased cost would be more than offset by the tax reductions proposed as part of the economic program.

MID-TERM PROGRAM

The program proposed by the President for the mid-term --1975-1985 -- concentrates on mandatory energy conservation measures and on actions designed to increase the supply of all fuels from domestic sources, as well as to encourage installation of nuclear electric power generation.

Agreements have been obtained from the major automobile manufacturers for an increase in average new-car gasoline mileage by 40 percent by the 1980 model year, contingent upon relaxation of some Clean Air ACt auto emission standard dealines. This action alone could save a million varrels of oil daily by 1985. Congress must now act to pass the required changes in the Clean Air Act.

More than one-half million barrel of oil daily could be saved by 1985 if national heating and cooling efficiency standards for new commercial buildings and private homes are passed by Congress.

To provide incentives for improvement of insulation, installation of storm windows and doors, and other energy-saving projects in existing homes, the President has proposed a 15 percent tax credit for the cost of specified improvements, retroactive to the beginning of 1975, and extending for three years.

For low-income families who cannot afford the initial investment in energy-saving installations, the President has proposed direct grants to low-income and elderly homeowners, modeled on a successful pilot project conducted in Maine. Federal funds would be provided to States for administration of this program, and volunteers and community groups would be encouraged to install the new equipment.

Congress will be asked to enact a mandatory energy efficiency labeling act to provide consumers with vital energy information on all new appliances and automobiles sold in the country. In addition, the President has directed the Energy Resources Council to develop new energy efficiency standards for major appliances, with a goal of improving energy efficiency by an average of 20 percent by 1980. Achievement of this objective would save the Equivalent of one-half million barrels of oil daily.

On the supply side, the President has asked Congress to authorize exploration, development, and production of Naval Petroleum Reserve #4 in Alaska. Unlike Elk Hills, this reserve has never been drilled, and oil from this source will take several years for development. By 1985, however, this source could be providing two million barrels of oil per day.

The removal of Federal price controls on oil and gas proposed as part of the short-term actions can be fully effective only if oil and gas producers have promising new areas to explore, and many of these are on Federally-controlled areas of the Outer Continental Shelf.

The President has proposed an accelerated OCS leasing schedule, including the leasing of drilling rights off the Atlantic and Pacific Coasts, as well as in the Gulf of Mexico, already the source of a significant part of our domestic oil and gas production. Increased leasing could add 1.5 million barrels per day to our oil production by 1985, as well as significant additional supplies of natural gas.

Further Clean Air Act amendments will be sought to allow the burning of coal in electric power generation plants, while cleaner and more efficient ways of using our most abundant domestic fossil fuel are sought.

And, to allow the optimun production of coal, the President has asked Congress for a surface mining bill which considers both the requirements for increased energy supplies and the necessity of maintaining environmental standards.

Coal leasing on Federal lands will be accelerated under the President's proposals, and strict requirements for speedy production from leases granted will be enforced.

To assist beleagured electric utilities in financing new equipment and modernization of old facilities to improve efficiency the President has proposed the utilities receive the same investment tax credit as other industries, instead of the lower one they have in the past, and a one-year increase in the investment tax credit for all industry to 12 percent. In addition, the 12 percent rate would be retained for another two years for all power plants except those fired by oil or natural gas, to encourage installation of coal-fired and nuclear units.

Proposed legislation would set mandatory standards for state utility commissions, to expedite rate review and to allow the cost of construction in progress and installation of pollution control equipment to be included in utility rate bases.

Additional legislative proposals by the President would encourage nuclear power by expediting licensing and facility siting, and would require states to have coordinated procedures for speedy review and approval of all new energy facility applications.

During the mid-term, the President has proposed establishment of a strategic petroleum reserve of one billion barrels for domestic use and 300 million barrels for military use. The objective is to insure that any sudden cutoff of foreign oil supplies cannot adversely affect either the domestic economy or national security.

LONG-TERM PROGRAM

Beyond 1985, the President's long range goals for the country in the energy area are designed to once again put this country in a position of being able to supply a significant percentage of the free world's energy needs by the end of this century.

The United States is the only major industrialized country in the free world which has th combination of natural resoureces and technological expertise to become and reamin self-sufficient in energy, while other consuming nations have insufficient native resources to fuel their energy needs. These countries look to the United States for leadership in energy development.

First among the nationsl priorities for the long term is to provide adequate energy supplies to all American consumers at the lowest possible cost which will enable us to meet our energy needs from secure domestic sources.

To do this, we will have to reach an equitable balance between sensible environmental protection and expanded energy development. The private energy industry has traditionally done the best job of producing energy for this country when allowed to operate under competivie, free-market conditions, and the nation will continue to rely on the energy industries for future development. However, the President's program would include provisions for Government action where private industry is unable to achieve national energy goals.

One of the most importnat future sources of new energy will be the development of a strong synthetic fuels industry. To encourage this development, the President has proposed a National Synthetic Fuels Commercialization Program to ensure production of synthetic fuels in an amount equivalent to one million barrels of oil daily by 1985.

The technologies for converting the country's massive coal resources into clean-burning synthetic gas and oil are now in existence, and the President's program would encourage rapid completion of the development of commercially feasible processes to produce synthetic fuels. Conversion of oil shale into synthetic crude oil is possible now, but at high cost, and the program would encourage experimentation with methods to increase the efficiency of shale conversion.

Federal incentives, possibly including price guarantees, subsidies, leasing programs, or purchase agreements, would be used to encourage synthetic fuel development as quickly as possible.

Research and development activities aimed at improvement of existing energy technologies and perfection of new techniques have already been brought together in one central agency -- the Energy Research and Development Administration. In addition, the Federal Government has expanded its cooperative research projects with private industry and educational institutions.

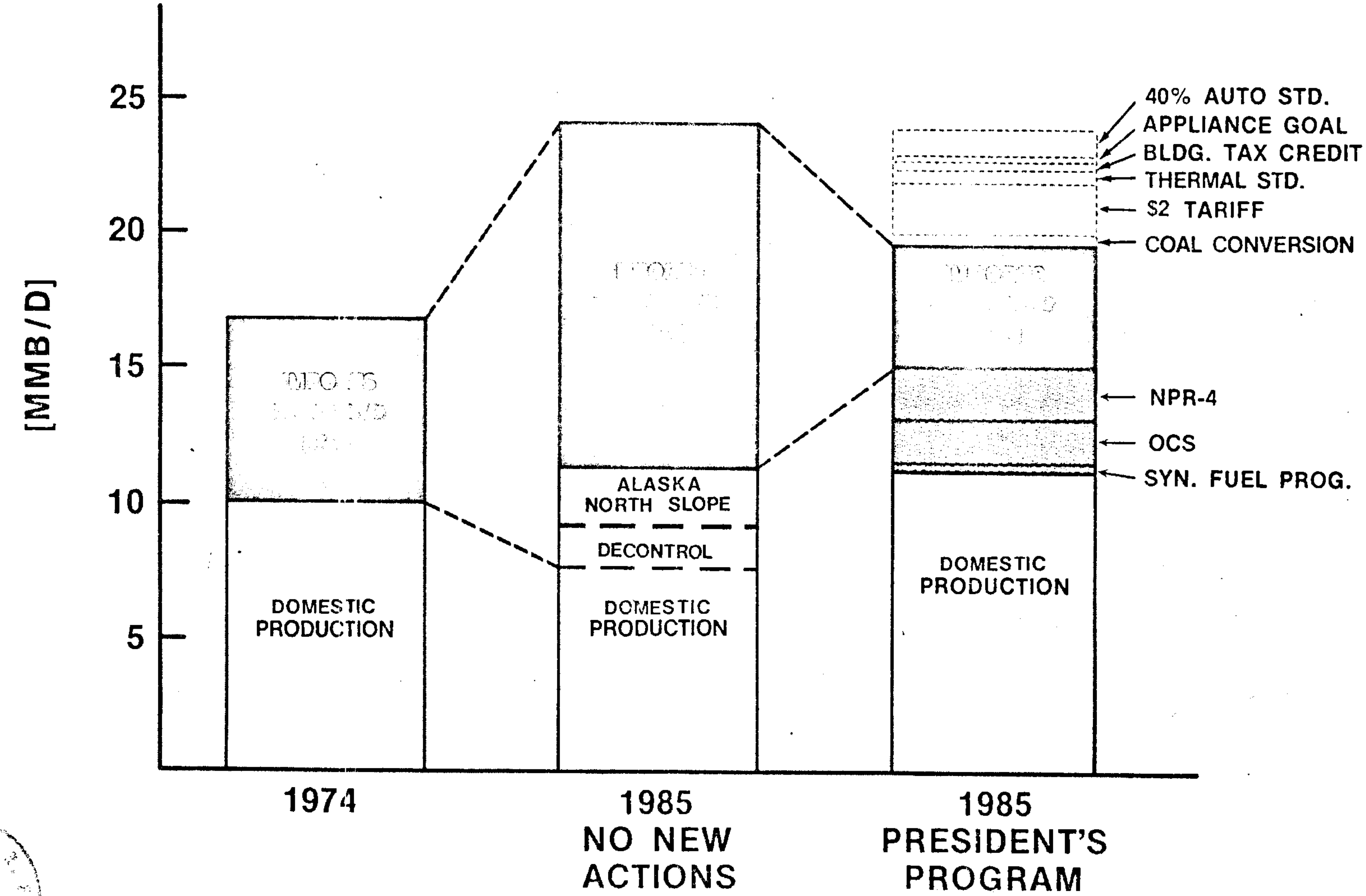
The President has stated that the Federal Budget for fiscal year 1976 will include greater emphasis on further development of traditional fossil fuels, nuclear fission and fusion, and promising new energy sources, such as geothermal power and solar energy.

SUMMARY

The President's energy proposals form the first comprehensive national energy program ever presented to the Congress and to the American people. The proposals are both realistic and readily attainable, if Congress and the public cooperate in instituting and carrying out the necessary actions.

The program provides for maximum conservation of ebergy in the short term with minimum adverse impact on the economy and on consumers' living havits. In the mid-term, it provides for additional energy production from sources which can feasibly be tapped quickly. And in the long run, it provides for greatly expanded energy supplies from domestic sources, a strategic reserve to guarantee that no foreign actions can injure our economic or social well-being, and a renewed position of energy and economic leadership for the United States in the free world.

IMPACT OF THE PRESIDENT'S PROGRAMS ON PETROLEUM IMPORTS



KEY ISSUES (draft)

GASOLINE RATIONING

What is gasoline rationing?

Some members of Congress and other public spokesmen have proposed that the Government deliberately reduce the amount of gasoline available to consumers, to force Americans to drive less and use less gasoline.

Government officials would then determine how much gasoline each individual or business could use.

Individuals would have to make do with nearly 30 percent less gasoline. In other words, most of us would receive an average of one and two-tenths gallons per day, meaning that one tankful would have to last about two weeks.

Businesses would receive 10 percent less gasoline than they now use.

Each licensed driver would have to pick up coupon books four times a year at local post offices. Drivers who did not need, or chose not to use, all their coupons would be permitted to sell them in a "white market." Those who needed extra coupons, and could afford to purchase them from other individuals could buy extra gasoline at an estimated average cost per gallon of $1.75 -- $1.20 for the coupon itself, and 55 cents for the gallon of gasoline.

Will gasoline rationing work?

A gasoline rationing program can indeed be designed to meet goals of limiting gasoline consumption. Such a system might be desirable, if our only national energy problem were excessive consumption of gasoline refined from expensive imported crude oil.

Unfortunately, the country's energy problem has many facets, and gasoline rationing treats only one symptom of a broad, interrelated problem.

The nation is becoming increasingly dependent on foreign sources for petroleum energy, and a repeat of last year's disruption of this foreign energy supply would seriously damage our economy.

The nation is paying foreign oil suppliers more than $25 billion a year for needed energy. This means we are rapidly losing our national wealth, and with it the ability of our economy to provide more jobs for our citizens.

The President's comprehensive energy proposals are aimed both at limiting consumption of all forms of energy now -- to enable us to reduce oil imports by one million barrels a day this year and by two million barrels daily by 1977, and at providing the economic incentives and government support necessary to encourage greatly expanded exploration for and production of new energy from secure domestic sources -- to provide for our future energy needs.

Rationing does nothing to solve our basic energy problems. While it would provide a short-term reduction in consumption of gasoline, it would discourage domestic energy exploration and production, since no new incentives would be provided for energy producers.

What is wrong with gasoline rationing?

No conceivable rationing system can possibly take into account the many special requirements of the millions of American gasoline consumers, so a rationing program is inherently unfair to some individuals and some groups.

Individuals who must use their cars and who cannot afford to pay \$1.75 for those "extra" gallons, would often be unable to make necessary trips, such as to work or to school.

Rural areas of the country, where automobiles are used as much as twice as much as in urban areas, would be unfairly penalized. This disparity would impact most severly on the West and Midwest states. In many rural areas, there is no public transportation alternative to the automobile.

Under rationing, the Government would be making most of the key decisions for both individuals and businesses over the next five or ten years. Gasoline rationing would likely lead to rationing of other petroleum products, such as home heating fuels and petrochemicals, and thus rationing officials would be controlling virtually all decisions involving energy, rather than allowing the public to make those decisions in the free market.

One of every five American families moves each year. Under rationing, such moves would be difficult, and in many cases impossible.

Decisions on job changes, new purchases, starting new businesses, expanding existing businesses, and other decisions traditionally and better left in the hands of the public would heave to depend on the actions of rationing boards.

The basic costs of a gasoline rationing system are huge and would constitute an unnecessary drain on our economy. Administrative costs alone -- printing coupons, establishing local rationing boards, and recruiting enforcement officials -- would mean a $2 billion bill each year for taxpayers.

Rationing would result in a $13 billion drop in our Gross National Product, and a resulting loss of 200,000 to 300,000 jobs.

Rationing gasoline alone would provide no incentive for non-drivers to conserve energy in other equally important areas of energy consumption.

And, finally, gasoline prices would rise even under rationing proposals, since a distortion of current oil refining procedures would lessen efficiency of operation, raising costs of all fuels.

What the nation needs is a total program to approach all the many sides of the energy problem, and it is this comprehensive plan which the President has proposed to the Congress and to the public.

EFFECT OF THE PRESIDENT'S ENERGY PROGRAM ON THE NORTHEAST

The President's program to bring about effective energy conservation now and over the next several years through a system of oil import fees will result in an increase in energy costs for consumers throughout the country. However, the increase for New England residents will be about the same as that for the rest of the country, or even slightly less than the effect felt by other regions.

The overall program anticipated regional imbalances in costs, largely because some areas -- particularly New England and the Northeast states, import a great deal of refined petroleum products to meet their energy needs, while other areas are dependent on imported crude refined in domestic facilities.

The President's import fee plan provides for much lower import fees on products, to balance the costs of areas importing products with those sections of the country importing crude oil.

By April 1, the eventual import fee on products is scheduled to be \$1.20 per barrel, while the fee on crude will be \$3.00 per barrel. In addition, the import fees imposed on imported products would not rise at all on February 1, when crude fees would rise by \$1.00, with product fee increases of 60¢ on March 1 and \$1.20 on April 1. This would give a temporary price break to New England consumers, and the full effect of the product import fees would not begin to take hold until near the end of the winter season, during which the Northeast states use much of their imported heating oil.

And as long as the import fee program lasts, the Federal Energy Administration will continue to spread price increases on crude oil among all refiners, to minimize regional cost differences resulting from different rations of dependence on imported crude oil.

A program now in effect allows all refiners equal access to available supplies of both "old" oil at lower prices, and "New" oil at substantially higher prices. The effect is to make all refiners crude costs as nearly equal as possible, maintaining competition and minimizing regional price variations.

Many areas of the country use substantially more motor gasoline than the New England states, so the impact of increased import fees on crude oil refined into gasoline in this country would not be as great in those states as elsewhere in the country.

More permanent solutions to the energy problems of the Northeast have been proposed by the President. Of primarily importance is the leasing of Federally-controlled areas on the Outer Continental Shelf off the East Coast, to allow oil and gas producers to conduct the necessary exploration work to find out if significant oil and gas reserves do in fact exist under the Atlantic Ocean.

If they do, production can begin within the mid-term time frame of the President's program -- 1975-1985 -- and supplies discovered off the East Coast will be far closer to Eastern markets and far less costly to transport to consumers than the imports and production from traditional

Southwestern fields upon which the Northeast must now depend.

The President has proposed a comprehensive energy and economic plan to cope with our energy supply problems in the short run and solve them in the long run, while maintaining the health of our economy. The time for action on these proposals is clearly now, and delay only aggravates the problems confronting the country.

However, eight Northeastern states (nine if Delaware joins the suit) have undertaken court action to block the President's proposals for import fees on crude oil and petroleum products.

The fact remains that no rational, effective, alternative program has been proposed to deal with our energy problems. The President's overall program is the result of detailed analysis of the country's energy problems and prospects, and it represents the only total energy policy program ever put forth for this country.

The program is a carefully balanced combination of actions to encourage energy conservation now -- the only way to limit our oil imports over the next few years, and to encourage the maximum possible developement of domestic energy resources to meet our future energy needs from secure sources within our own control.

Now is the time for action, not delay, and in the absence of any alternative program to approach all our energy and economic problems, the President's proposals remain the only ones made so far.

The President has requested urgent action from Congress on his energy and economic package. He has stated clearly that the quickest possible approval of the entire overall objectives is imperative to the economic viability of the country. He has further indicated that whatever "fine-tuning" is necessary to meet the requirements and special problems of various regions or groups of citizens can be done later, once the basic actions are started, and as the nation progresses toward energy solutions.

THE NEED FOR ACTION NOW

The President has proposed to Congress and the American public the first comprehensive, unified approach to our economic and energy problems ever assembled in this country.

The program has been thoroughly planned and analyzed, and it is the consensus of a broad spectrum of the most respected economic and energy experts in the Government, in private industry, and in citizens groups, all of whose views have been considered at length in reaching the details of the complete program.

The program is a highly complex one, since it is designed to deal with and solve a wide range of energy and economic problems confronting this nation.

The President has explained the program as fully as possible to the Members of Congress and to the nation's citizens, in a broadcast address to the nation on January 13, in his State of the Union message on January 15, and in public statements since then.

No reasonable comprehensive proposals have been forthcoming from Congress or from other sources. The Presiden's plan is the only one which deals with all aspects of the problems involved, and action on his proposals is vital now.

Each day that passes without strong action on the many proposals made by the President leaves this country more dependent on foreign oil for its energy needs. Each day the economy becomes more and more vulnerable to disruption which could result from actions by foreign suppliers.

It is the clear responsibility of the Members of Congress to act quickly in the public interest. The President has requested specific actions from Congress, specific actions designed to work in combinations with each other to have the overall effect of solving our economic and energy problems. If Congress chooses not to enact any one facet of the total program, it must then provide a program of its own which achieves the same result.

Action now on the President's program is imperative if the United States is to maintain its international credibility. This country has traditionally been known for its ability to get things done, particularly in times of crisis. Failure on the part of Congress to act swiftly to approve the President's proposed legislation could well be interpreted as indecision and weakness, and as an unwillingness to take the unpleasant but absolutely necessary steps to cure our energy and economic problems.

The central goal of the President's energy proposals is to minimize the insecurity the country faces today with the possibility of another oil embargo, and eventually to eliminate once and for all the nation's vulnerability to actions by foreign governments or cartels.

The President's program includes decisive actions designed to reach both these goals. He has requested actions to restrict demand for petroleum and to encourage energy conservation now, and he has requested far-reaching actions to provide the future energy needs of the country from secure domestic sources.

The price we must pay now involves the sacrifice of some of the luxury to which we have become accustomed, and a restructuring of our lifestyles toward more effective and efficient use of energy and all our resources. But the price we will have to pay to regain energy self-sufficiency escalates each day, and delay in implementing the President's energy conservation and production plans cannot be endured.

The American public enjoys the independence for which this country has always stood, and it will not tolerate continued delay in eliminating the state of dependence and vulnerability into which we have fallen in energy.

The drucial point of President Ford's energy plan is that it moves the nation in the right direction, and that we must begin moving in that direction now. The President has expressed both a willingness and a desire to work with Congress on revisiing and restructuring various details of the complete program, once the basic thrust has been made in the direction of the energy independence desired by all Americans.

The President's program is a place to start, and a place to start without further delay.

Congress has not come up with a program of its own. There is no indication that it will have one which its members can agree to in a month, two months or this year. It is suggesting parts of a possible program here and there, but there is no assurance that these parts will become either a single viable program or that there will be congressional agreement on them as separate entities that could eventually be tied together into some kind of package.

Americans all across the nation can help the country achieve energy independence by learning all they can about the President's proposals, and then letting their representatives in Congress know that they want action now, without another day, week, month, or year of debate.

Bold and imaginative solutions are required to meet the extensive problems which face the nation. The President has taken the initiative in assessing the problems and proposing wide-ranging solutions. It is now up to Congress and the people to press for immediate actions to support the President's proposals.

EQUALIZING THE BURDEN: NO DIRECT GASOLINE TAX

The President opposes direct taxes on gasoline for many of the same reasons that he is against gas rationing. The primary reasons are that such taxes are inequitable and they are of no significant help in reaching the President's ultimate objective -- energy independence.

Not many weeks ago, the idea of direct taxes on gasoline was being hailed by many many as the immediate and major answer to our energy problems. Even among those most opposed to President Ford's energy program, the direct tax idea has now faded from popularity. The number one opposition priority seems to be rationing with mandatory allocation of oil in second place.

The reason why the direct tax plan is being abandoned by many of those who were supporting it a month or more ago is that they have studied its real implications. It is, inherently a short-term and short-sighted solution filled with inequities and offers no ultimate solutions to our energy problems. It is also inflationary -- very much so in some proposals.

There is no agreement on the amount of direct taxes that should be levied. Proposals range from 20 cents to 50 cents in taxes on each gallon. The larger the taxes, it is contended, the greater the pressure on the public to consume less gasoline. Thus, we could expect immediate and drastic reduction in gasoline use -- greater than that which would occur under the President's program.

But, such a program would have other immediate drastic effects:

Recreation, tourism, travel -- all would be hard hit. So would hotels, restaurants, and similar businesses. The auto industry has been severely hurt already, with several hundred thousand of its employees laid off or on indifinite leaves, and it would be further damaged if gasoline taxes are increased sharply. There undoubtedly will be changes in the auto industry -- smaller, lighter cars better efficiency, and other innovations -- but we cannot do this overnight without serious dislocations to workers and the national economy.

The long list of those affected in an inequitable manner under rationing would be repeated for the most part under direct gasoline taxation:

Rural Americans, even those in suburbs, who need to drive longer distances would be hard hit. The cost of farm operations rise significantly. Low income persons who needed to drive long distances to work could not afford to pay 30... 40... 50 cents more for each gallon of gasoline without extreme sacrifice at home. Innumerable examples of such hardship would be found.

And in the end, the nation wo uld not have advanced to want national goals. The President alone has proposed a total national energy and economic program -- including assistance to low income families facing higher energy costs.

The President's program provides incentives for conservation of all forms of energy, not just gasoline. It our energy problems were limited to gasoline supply and prive, direct taxation or even rationing might be useful answers.

But our energy problems are much more widespread, and those who attempt to solve the entire peoblem by limiting gasoline consumption alone do nothing to provide incentives for non-drivers to save energy, or to encourage the expansion of domestic energy production which will be essential if we are to meet the challenge of regaining our national energy self-reliance.

The President's proposals are balanced to meet the needs of the short-term, the mid-term, and the long-term to limit energy use now and build the foundation for future domestic energy supplies to meet our own needs.