This Copy For James Rogers

NEWS CONFERENCE #125

AT THE WHITE HOUSE

WITH RON NESSEN AND WILLIAM SEIDMAN

AT 11:48 A.M. EST

JANUARY 16, 1975

THURSDAY

MR. NESSEN: The President, as you know, had breakfast with the bipartisan Congressional leaders this morning for one hour and 20 minutes. I was not able to attend, but I do have a report from someone who was there. You have a list of those who attended.

The breakfast was in the State Dining Room. As you would imagine, the discussion was primarily, almost entirely, about the State of the Union Message, the energy and the economic programs. The leaders of both parties expressed their appreciation for the President's candor and frankness and for the detail of the programs he offered.

The President and the leaders did agree on the need for action. The leaders indicated that they hoped the tax rebate legislation -- that is, the one-time tax cut for 1974 -- could be passed by Congress and reach the White House as early as April 1st.

Q Who said that?

MR. NESSEN: As I say, this is a report to me, but by the wording of it, I take it that both Republican and Democratic leaders agreed that it could be passed and reach the White House by April 1st.

Q This would not necessarily imply agreement --

MR. NESSEN: Let me get on with the caveat to that, which is the very next sentence, as a matter of fact.

The Democratic leaders -- I assume this is -- indicated that they thought there would be some modifications in the President's recommendations, but they did not specify what the modifications might be. The President said he was pleased to hear that Congress was ready to move so swiftly on the one-time tax cut.

The conversation then turned to the energy program and, in fact, most of the remainder of the breakfast was taken up by discussion of the energy program.

The discussion mainly dealt with details of the program, and there was no indication of a timetable for action on the energy program. The President and the leaders both acknowledged that there would be differences in approaches to the energy program. Both sides said that they would cooperate in getting an energy program through Congress. Both sides indicated they felt there was common ground to reach solutions to the energy problem.

One man, who was there, who gave me this report, said that he felt it would be fair to say there was a cordial exchange of views, that both sides expressed a desire to reach agreement because both sides recognized there was an urgent need for action.

Q Could you tell us who?

MR. NESSEN: Yes. I think it is silly to give these quotes without telling who it was. It was Jack Marsh.

Q Why didn't you attend the meeting?

MR. NESSEN: I had some other things to do today, Helen.

Q Is that the end of the meeting?

MR. NESSEN: Yes, it is.

Q You know, does "both sides" refer to both sides of the leadership, or does it refer to Congress, the two branches?

MR. NESSEN: I meant the Democratic and Republican leaders and the President. The leaders have one side and the President is the other.

Q Ron, before we get away from that subject and recognizing that you are getting an indirect report here and weren't there yourself, I am not clear from your report whether the Democratic leaders specifically endorse the tax rebate or not.

MR. NESSEN: Jim, what they indicated was the antirecession tax reduction would be passed by Congress and reach the White House, that they thought there would be modification.

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Q In other words, when they said they thought Congress could pass a tax program by April 1st and get it to the White House by April 1st, they weren't specifically referring to the rebate plan, they were referring to tax legislation in general in some form or other?

MR. NESSEN: That is what I take it to mean. As I say, I was not there --

Q You said,"tax rebate, rebate legislation by April 1st."

MR. NESSEN: Maybe someone should call Jack

Q The report from the President, Ron, is that he was pleased to hear --

MR. NESSEN: Actually I talked to the President myself. Let me give you what I know the President said, because I talked to him about it this morning. Let's do it that way.

The President feels primarily the need for action as fast as possible, and he believes that Congress should work to get a total plan -- that is, economic and energy -- that resembles his plan as much as possible because he believes that this plan will work.

His primary concern is that there be action quickly. He did say to me that he thought there was common ground between his ideas and some of the critics in Congress. The President wants the Congressional subcommittees who deal with specific portions of these plans to start meeting right away.

Q Did he get any assurance they would?

MR. NESSEN: As I say, I did not attend the meeting, Don, but what I hoped to have for you today -- I was not able to get it this morning, but I will have it, hopefully, in the next couple of days -- a timetable for the President signing the Executive Orders and sending up the legislation necessary to carry this out.

The President feels that we are not going to cure the recession or the energy problem with speeches, that action is necessary and he wants and expects Congress to take the necessary action. He will work with Congress to find something that is close to his program.

Q Ron, speaking of Congressional action, how does the President feel about the possibility that there may be one or more House committee chairmen ousted this afternoon?

MR. NESSEN: That is a matter for the Congress.

Q Has he said anything about it? He was in Congress for a long time. Does he have any views on it?

MR. NESSEN: No, he does not, Les. It is a Congressional matter.

Q Ron, this common ground the President is seeking, you first referred to energy and in later comments you indicated that applies to tax policies as well. Is he ready to compromise now on how the rebates are handled across-the-board?

MR. NESSEN: Gaylord, as I said, he believes his program will work. As a matter of fact, the leaders, when they offered up this expectation that Congress would pass tax legislation and send it to the White House by April, referred to tax reduction legislation.

Q Not rebate?

MR. NESSEN: No.

Q So, does that mean the President --

MR. NESSEN: The President, when he referred to this bill, referred to it as a tax rebate.

Gaylord, the President feels that his plan will work. It is a comprehensive plan; it is completely detailed, and as far as he can determine, there is no other plan which is comprehensive and detailed. Now, he believes his plan should be passed.

Q Ron, one of the members of the leadership, Mr. McFall of California, thinks it would be a good idea to suspend the import duty on oil for 60 to 90 days to give Congress a chance to look at the overall equation before any action is taken. Has this view been communicated to the White House, and is there any possibility you will let Congress act on this rather than doing it by Executive fiat?

MR. NESSEN: I am not sure whether that view has been specifically communicated to the White House, but the President does intend to do this by Presidential authority, pending the enactment by Congress of his overall energy tax plan.

Q Just to follow up, if there is a strong feeling on the Hill that he shouldn't do it that way, that would not influence his decisions?

MR. NESSEN: As far as I know, no.

Q Ron, I am not very clear on the text. Does the President want action by April 1st on both the tax rebate and tax reduction programs?

MR. NESSEN: He wants action as fast as possible on all the programs, but he believes the first priority would be to approve this one-time reduction, the tax rebate.

Q What would the President's reaction be, you know, if Congress passed his plan to return the energy taxes to the economy without passing the energy taxes themselves?

MR. NESSEN: Do you mean come up with $30 billion?

Q Yes, if they vote the $27 billion tax cuts without passing the $30 billion in taxes?

MR. NESSEN: Norm, I don't want to deal in hypothetical possibilities. You know, there is a plan for action up there, it is a comprehensive one and he wants it passed.

Q Have the specific bills been given to Congress?

MR. NESSEN: As I say, I hope to have the timetable today for both the signing of the Executive Orders and transmittal of legislation. I wasn't able to get it in time for this briefing, but I will have it soon.

As some of you know, the President and Vice President went over to the East Room at 11:00 to brief 200 Administration officials, down to the level of Assistant Secretaries, on the energy and economic programs. The President spoke briefly at the opening. It was pretty much a straight explanation of the programs. That is being followed by Bill Seidman, Secretary Morton and Frank Zarb. We will get a transcript of the President's remarks and have it available for you.

At 2:45 p.m., the President is going to speak to a group of Governors, Mayors and other State and local officials for the same purpose, an explanation of his State of the Union and economic program.

Q What time?

MR. NESSEN: The President will appear at 2:45 p.m. The meeting itself begins at 1:30 p.m.

Q How many will be there?

MR. NESSEN: Around 202. The meeting begins at 1:30 p.m. with Vice President Rockefeller, Secretaries Morton and Simon and Administrator Zarb. They will answer questions, also.

Then, the President will make his remarks at 2:45 p.m. The entire conference, beginning at 1:30 p.m., will be open to full press coverage, film and tape and so forth.

Q Ron, did the President get any reaction from the Governors or Mayors on the State of the Union? I ask this because --

MR. NESSEN: I am sure he will this afternoon.

Q Not necessarily, because it is my understanding -- not to be subjective -- but the Governors of the large States -- California, New York and others like that -- the Mayors of the very large cities will not attend that meeting today.

MR. NESSEN: We don't have a whole guest list. It is the leaders or the organizations which represent Governors, Mayors and State and local officials. We will get you a complete guest list.

Q The Governors will be represented, Ron. The Mayors will be represented, but the office holders themselves will not be there of the large States and large cities. I wondered if there was any significance in that?

MR. NESSEN: If they are not here for this particular meeting, they will certainly have other opportunities to talk to the President and hear from the President to explain his program.

At 3:45 p.m., the President will meet in the East Room with the Industrial Payroll Savings Committee to commend them for their efforts in 1974 in selling savings bonds. There are some press kits about this in the Press Office that will tell you about the activities.

At 5:00 p.m. today, the President will be meeting with Foreign Minister Allon of Israel. This is part of the continuing efforts by the United States to help bring about progress toward peaceful settlements in the Middle East.

Foreign Minister Allon is in the United States on a private visit. He has seen Secretary Kissinger, and he will see the President because the President believes it will be helpful in furthering efforts toward Middle East peace.

We hope to have a little something for you in the way of a posting or readout after the meeting.

Q Ron, on the Israel subject matter, when you talked to the President, did he have any reaction or make any comments about the reports out of the Middle East that Sadat says that if there isn't any progress in three months he is going to suspend negotiations through Kissinger?

MR. NESSEN: This is a period of quiet diplomacy, and we won't have any comment on a newspaper report of an interview with President Sadat.

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Q Has the President been in touch with Chairman Brezhnev in the last couple of days about the Russians dropping out of the trade bill?

Q First, how is Chairman Brezhnev?

MR. NESSEN: I will have to check the Boston hospitals and find out. (Laughter)

I am not aware that the President has had any contact with General Secretary Brezhnev in the past few days. The President does believe that improved U.S.-Soviet relations are important to world peace and international stability.

Therefore, the President is determined to continue his pursuit of a policy of relaxation of tensions with the Soviet Union.

The President fully agrees with what Secretary Kissinger said the other night at a news conference, which was, "We have no reason to believe that rejection of the trade agreement has implications beyond those communicated to us by the Soviet Union."

Q Ron, in that connection, you say we have no reason to believe. What is that based on? You said the President has had no contact with Secretary Brezhnev in the past few days. Did he talk to him or communicate with him, say last Friday or Saturday?

MR. NESSEN: Not that I am aware of.

Q Has he received assurances from Brezhnev that it involves only the trade pact?

MR. NESSEN: I think more questions about diplomacy, Gaylord, have to be addressed to the State Department. I am not into the day-to-day workings of the --

Q What we are interested in is whether the President has personally entered into these contacts.

MR. NESSEN: I am not aware there has been a personal contact, but obviously there are continuing contacts between the United States and the Soviet Union.

Q Is this one of the areas the President intends to ask for Congress to lift restrictions in diplomatic activities?

MR. NESSEN: I really would rather stick to what he said in his State of the Union yesterday. I don't know how specifically he will deal with that problem.

Q Will he ask Congress to change the emigration restrictions they placed on the trade bill, and is he going to ask the Congress to change the credit limits they placed on the Soviet Union?

MR. NESSEN: I need to check out how he intends to follow up his statement of yesterday.

Q What was his own reaction, his personal one? Is he unhappy about this?

MR. NESSEN: I think I will leave it at what we have said.

Q Are you saying that he doesn't think this hurts detente at all, the blowing up of something that has been going on for two years, that was delicately put together, and then all of a sudden they say no, and this has no effect on the relationship?

MR. NESSEN: As I say, he believes it doesn't have any implication beyond the immediate effects on the trade agreement.

Q Has the President seen Ambassador Dobrynin?

MR. NESSEN: Not that I am aware of.

Q Is there a credibility problem here? The newspapers have said Dr. Kissinger has said for a couple of years the trade agreement was the keystone of it. Now the trade agreement blows up and they say this doesn't affect detente. How do we deal with that?

MR. NESSEN: I don't see the conflict, John.

Q He has been saying that the trade agreement was the keystone of detente. Now the trade agreement is blown up and they say this doesn't affect detente.

Q Where do we stand today?

MR. NESSEN: Come on, let's move on with this and not get into a philosophical discussion of foreign affairs. Don't you think we made any significant agreements and improved our relations with the Russians in other areas?

Q Not since day before yesterday.

MR. NESSEN: We have.

Q In addition to the trade thing, a Soviet news agency reported officials of the Soviet Union as saying that the sale of arms to the Middle East was not in the spirit of detente and there have been these kinds of rumblings out of there, and the specific action on the trade agreement has just raised the question.

MR. NESSEN: I am going to stick to what I have said on that.

Tomorrow, the only thing I can give you on the schedule is a Cabinet meeting at 2:30, which also will deal with the State of the Union Message and what the Cabinet members must do to have the energy and economic programs put into effect.

The President is announcing today that he has designated David W. Belin of Des Moines, Iowa, as Executive Director of the Commission on CIA Activities Within the United States. Mr. Belin is a lawyer in Des Moines. He was a member of the Warren Commission staff. He will make a salary of $36,000 and he will serve for the life of the commission, which is three months.

Q He gets $36,000 for three months?

MR. NESSEN: An annual salary of $36,000.

Q Has the President a schedule for a speech on foreign policy, state of the world, or whatever he wants to call it?

MR. NESSEN: I haven't gotten the timetable yet for the other messages that will go to Congress.

Q Do you have any plans for a Presidential press conference?

MR. NESSEN: No, I don't, Jim.

Q Can you rule one out for today?

MR. NESSEN: Yes.

Q And can you rule one out for tomorrow?

MR. NESSEN: Yes.

Q Saturday?

MR. NESSEN: Yes.

Q How long does the Council on Wage and Price Stability -- when does it expire?

MR. NESSEN: I think that is a permanent group, isn't it?

Q No.

MR. NESSEN: Let me, if I may, clear up what may be a misunderstanding of the energy package. I have seen it several times in print and I think probably it would be better to straighten it out at the very beginning before it gets imbedded into people's belief. It has to do with standby authority for gas rationing.

As several people have tried to explain, the standby authority for gas rationing has nothing to do with the overall program to reduce oil consumption and become independent in energy by 1985. It is in a separate small package of requested emergency measures which the President would have on the shelf to use in case of a new Arab oil boycott.

I have seen several stories that indicate it is there to deal with a situation in case the other measures don't reduce oil imports by a million barrels a day and so forth.

Standby gas rationing is not related at all to that part of the program. It is an emergency measure to have handy in case there is a new Arab oil boycott.

Q Is it linked only to the new Arab oil embargo, specifically?

MR. NESSEN: That is the purpose of requesting it here.

Q Does the President want the standby authority only in case of an oil embargo?

MR. NESSEN: That was the context in which it was requested.

Q Is there in the legislation some sort of trigger that makes it that way?

Q Will the legislation be written that way? Will the Administration specifically ask that the legislation be written that way or will it be just the customary standby authority?

MR. NESSEN: I haven't seen the wording of the legislation, Jim. I am telling you what the purpose was in asking for it.

Q It would be a handy thing to have, wouldn't it, if this program doesn't work?

MR. NESSEN: That is not the way he planned it. He expects the plan to work.

Q Are you saying if his conservation measures do not work -- but there is no Arab oil embargo -- that the President would not use this authority?

MR. NESSEN: As far as I know.

In answer to Helen's question, the Wage and Price Stability Council expires under the current law on August 15, 1975. Whether there is a plan to request an extension I don't know.

Q Didn't I see one in this?

MR. NESSEN: He is? You see how little I know.

Q Ron, what are the other portions of that emergency package, the package of emergency measures other than gas rationing?

MR. NESSEN: Isn't that the one where he will have the 1.3 million storage capacity?

Q It is on page 43.

MR. NESSEN: Page 43 is where the emergency package is.

Those are all the announcements I have to make.

Q Ron, I have a housekeeping question, if I may. Ron, in consideration of the prestige of a Presidential Press Secretary -- even a former Press Secretary, particularly when he is going on the lecture circuit -- I am just wondering, Ron Ziegler has charged you with absurdity and has charged the President with neglecting Mr. Nixon.

If you keep silent with no comment on this, won't sizeable numbers of the people suspect that maybe there is some truth in what Mr. Ziegler is contending?

MR. NESSEN: You will have to ask the sizeable number of people what they think.

Q I can't do that, Ron. Are you just saying you will not comment on this in any way when he has made these charges against you and the President?

MR. NESSEN: That is right.

Q Ron, there is a wire story quoting Mr. Seidman as saying that the additional cost of fuel, as a result of this program, would be $55 million. I don't remember that figure being used at the briefing yesterday, but it is very important if that is the case because that is considerably higher.

MR. NESSEN: I have not heard that number.

Q Excuse me, billion not million.

MR. NESSEN: Fifty-five billion dollars as opposed to $30 billion?

Q Yes.

MR. NESSEN: I had not heard a $55 billion figure. Where did he say that?

Q There is a UPI story.

Q I think it is an additive figure because the figure of $25 billion ripple was mentioned. He may have added it to the $30 billion.

MR. NESSEN: I had a long talk with Alan Greenspan today about the economic effect on the price rise effect of the fuel tax measures, and the number I got from him was closer to $30 billion, or the 2 percent, the approximately 2 percent, one-time rise in the cost of living.

Q How does he distinguish between his 2 percent and Otto Eckstein's 4 percent carrying the ripple all the way out?

MR. NESSEN: It is not precise, Tom, and they can't pin it down to a flat 2 or 2.1 or 2.3, but the best they can do by running it through their models and so forth is to say about 2 percent. I don't know why his figure differs from Otto Eckstein's except this is the figure the economists have come up with here.

Q And they have come up with that figure by carrying the ripple effect all the way out?

MR. NESSEN: They have carried out what they believe will be the ripple effect.

Q Ron, concerning the $30 billion figure Mr. Greenspan talked to you about, is that the ripple effect cost as distinct from the direct?

MR. NESSEN: As nearly as they can calculate it that is the number they come up with, with the caution that it is imprecise but that is as close as they can come.

Q If I understand it, it would not be inaccurate then to say that the total increase in prices would be about $60 billion, with some $30 billion of that in the higher taxes -- oil, natural gas and windfall -- and close to $30 billion in ripple, in fact, on other commodities?

MR. NESSEN: No, I don't see that. The increased taxes amount to $18 billion, if I am correct.

Q Plus $12 billion in windfall profits?

MR. NESSEN: Excess profits. What we are saying is the $18 billion in actual higher costs, by the time you get it rippled out, it becomes $30 billion in its effect on the economy.

Q You are saying that that includes, it is not in addition to?

MR. NESSEN: No, that is my understanding.

Q Direct additional fuel costs?

Q Ron, Ed Fiedler said today at the Treasury briefing that no study of the ripple effect had been done by Treasury, OMB and CEA, and that none was planned. Where was the model that you referred to earlier?

MR. NESSEN: We are going to need to talk to Alan Greenspan about this, but that is what he told me this morning, that it had been calculated and this was as close as they could come.

Q Is there data to support the 2 percent CPI increase? The inflation impact statement was extremely sketchy.

MR. NESSEN: But it did talk about 2 percent.

Q We would like to see the figures of how that was derived.

MR. NESSEN: We will have to get Greenspan to provide them.

Q Do you have an estimate on the time it will take for the February 1 petroleum duty --

MR. NESSEN: Just by itself?

Q -- to come into the economy?

MR. NESSEN: Not just that by itself, but the full impact of all the taxes he is asking he thinks probably would be filtered into the economy probably over a period of a year or so.

Q At Treasury this morning Ed Fiedler said it should be almost immediate from the price increase in fuel. Does Mr. Greenspan share that view?

MR. NESSEN: He didn't feel you would get a one-time jump. He felt it would be phased in so far as its effect on prices goes.

Q Ron, there are some quarterly figures on when it would come in. There are quarterly figures, but I forget what page.

Q Ron, are you saying that the increase in prices of all kinds of other things would amount to about $12 billion a year?

MR. NESSEN: The 18 plus.

Q That is right, 12 would be the secondary effect of the --

MR. NESSEN: That is my understanding.

Q Does that work out to a 2 percent increase in CPI, mathmatically, do you know? Did Greenspan say so?

MR. NESSEN: I did not ask that question.

Q Ron, I think there is some confusion here. It was my understanding that the $30 billion was money you were going to collect from taxes, and it is going to be poured back into the economy. Now you are saying you are going to collect $18 billion in taxes, if I understand you correctly.

MR. NESSEN: No, there will be a total of $30 billion in new revenue collected, $18 billion of it in the form of new taxes, new excise taxes, import duties and all the rest, and the other $12 billion of it being recaptured from windfall profits for a total of $30 billion.

I think because we are talking about $30 billion for that equation and also the impact in higher prices of $30 billion, it may cause some confusion. There are two separate $30 billion figures.

Q Where do you get the ripple effect when you are talking of $12 billion?

MR. NESSEN: It is $18 billion in direct increased prices through the higher taxes and the other $12 billion from the ripple effect.

Q From the ripple effect or the windfall? Sometimes you say one and sometimes you say the other.

MR. NESSEN: Or both. Let's see if we can straighten this out. Maybe we can get Alan Greenspan out here.

You have $30 billion over here which will be new revenue coming into the Government. Eighteen billion dollars of it will be from new excise taxes on imported and domestic oil, natural gas, and so forth, right? The other $12 billion will come into the Government in the form of windfall profit taxes on oil companies.

You have $30 billion over here. The entirely separate question is how much will this raise prices overall per the year? It will raise it $18 billion by the amount of the new taxes, plus another $12 billion or so through the ripple effect in the economy.

Q Is there decontrol of old oil included somewhere in there?

MR. NESSEN: Yes, there is.

Q Ron, has the President ever discussed or given consideration to the possibility of controls on oil imports so the various OPEC countries would have to bid against each other for the U.S. market?

MR. NESSEN: There were a number of alternatives considered on how to conserve oil. Essentially, there are three ways to do it. The one that he chose, which is by way of price -- one would be to do nothing, which is obviously rejected. The other was to do it by way of rationing. He felt that clearly rationing had so many disadvantages to it that he rejected that.

Now, as for limiting imports, what he has said is that he expects this program to bring about the desired reduction and in fact, I think Mr. Zarb's fact sheet shows how many barrels each step would reduce.

If, by some chance it doesn't reach the total, he will just use his authority to limit imports to make up the difference.

Q He could limit the imports so that the OPEC countries would have to bid competitively for the U.S. market?

MR. NESSEN: I don't know if that would have the effect. He could limit imports.

Q He does have that power, Ron.

MR. NESSEN: It is my understanding he does.

Q You are saying if that doesn't work, he will slap a ceiling on imports?

MR. NESSEN: He said that himself Monday night and again yesterday.

Q How soon?

MR. NESSEN: Whatever gap remains -- let's say this program reduces imports by 800,000 barrels a day. He will chop off the other 200,000 by import quotas.

Q Ron, on rationing, what was the President's reaction? What did he say this morning at breakfast when Senator Robert Byrd said that he backed a gasoline rationing as the only way to cut down on consumption, and Senator Byrd expressed the thought that perhaps Congress would go ahead with mandatory rationing over the President's objection?

MR. NESSEN: Since I wasn't there, let me tell you what his general reason was for rejecting rationing.

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Q Do you have any word on what the President's reaction was this morning?

MR. NESSEN: I don't, but I do know what he thinks of rationing.

Q So do we, but --

MR. NESSEN: First you start off with the goal, and the goal from the very beginning of this energy program was to eliminate reliance on foreign oil imports by 1985.

If you decide to do nothing, which obviously was rejected, you are left with either rationing or higher prices. Neither of the alternatives is a very attractive one, frankly. But the rationing is less attractive than the higher prices.

Q To whom?

MR. NESSEN: If you go to rationing, first of all, you have to create a bureaucracy to do it. Remember, this is not a one-year bureaucracy, it is a 10-year bureaucracy. You would have to have fuel rationing for 10 years to meet your goal of energy independence in 1985. It would have practical problems.

For instance, if you move to a new house, you have to go through a procedure of getting a certificate and figuring out how much heating oil or natural gas will be allowed you to heat your house, or if you open a new business or move your factory to a new building, you have to go through this Federal bureaucracy to get your permit, and some bureaucrat will tell you how much fuel you can have to run your plant.

Those are sort of the practical considerations. The philosophical considerations are that, when you choose between rationing and higher prices, you are choosing between letting the economy itself adjust and homeowners, factory owners, business owners and so forth make up their minds how much fuel they want to buy at that price, or you have some bureaucrat in Washington determining how much fuel each company can have.

Now, the President feels that under that rationing system no one would be happy with the decisions, that people who are calling for rationing, the President feels, are people, who, in the back of their minds, assume that they, whether they are a businessman, homeowner or automobile driver, will get all the fuel they need and it will be somebody else's consumption that will be held down by the bureaucrats in Washington.

But the President feels that this rationing system will pit industry against industry for the limited fuel supply, one region of the country against another region of the country and competitors in the same business against each other for the limited supply. They will all be competing for this limited supply of oil that you have decided to ration, and he just feels that that whole system is less equitable and less workable than the system that he has decided on.

Q Is the President prepared to say that he will veto mandatory rationing if it came down from the Hill in place of his recommendations?

MR. NESSEN: Bob, the President has a plan, and some of the critics are criticizing this part of it or that part of it or another part of it, but nobody has a plan to substitute for it, and the President believes that the plan is comprehensive and interlocking -- the pieces are, and if you start knocking a piece out here and a piece out there, it is not going to work.

Q Ron, may I ask a question on a subject in another area? Does the President feel any sense of urgency on his Vietnam aid request, his supplemental request, inasmuch as the wires are now reporting that the fighting is about 35 miles from Saigon? I would like to know what the status of that request is here in the White House?

MR. NESSEN: It is still under intensive consideration.

Q Does that mean that because of Senator Mansfield's strong opposition to it there is indication that you people may be wavering on that request because of a rather substantial negative reaction from Congress?

MR. NESSEN: It is hard to say that he is wavering on the request when he hasn't decided on the request yet.

Q Ron, you obviously spent some time discussing this alternative between gas rationing and price factors; how does he answer the charge which some of the Democrats are making that in fact this system he is adopting doesn't hurt the wealthy people who can buy as much gasoline or fuel as they want, no matter what the price, and actually he hurts the people in the lower income groups who can't afford it at a higher price?

MR. NESSEN: That is one of the reasons why he used the expression the other night, "From adversity, let's use this as an opportunity," and what he is doing is taking the higher revenues from the fuel taxes and sending them back into the economy in a way that gives most of the money to the lower and middle income people and much less of the money to the upper income people.

If you look at those tax tables, you will see that that is the way the new system is structured.

Q Ron, if that plan works and the poor then are given enough money so they can afford the higher gasoline prices, where does the element of conservation come in? If you plan works perfectly, everybody will have plenty of money to buy gasoline, so how do you get any conservation?

MR. NESSEN: Because the theory is that when you make fuel that high, the people will have to reconsider how they spend their money, that they will not simply take the money that you are --

Q If you want them to reconsider, why are you giving them the money? You are giving them the money not to reconsider but to go right on buying gasoline if your plan works.

MR. NESSEN: No, you are not. You are making them face up to the high price of fuel --

Q But you are giving them the money to buy the fuel.

MR. NESSEN: Or whatever else they want to buy.

Q How would they propose to keep oil companies from putting a price increase on fuel oil where people have no choice instead of on gasoline where they might be able to cut back?

MR. NESSEN: We will have Mr. Seidman come up and answer some of your questions.

You all know Bill Seidman, Executive Director of the Economic Policy Board.

Margaret wanted to know how you keep them from putting all of the price increase into fuel oil and less into gasoline.

MR. SEIDMAN: The FEA has powers to control those margins and, therefore, if they are not done in a normal business way, they will have the power to see that it is done fairly.

Q Mr. Seidman, if it is proven empirically that the market is not as elastic for imported oil as you would like it to be and if the President is forced thereby to go to a flat ceiling, won't you find yourself in a position of having to allocate this oil and in that case you will be, in effect, in rationing, which you have just described as an undesirable alternative.

MR. SEIDMAN: First, you will have all the savings that do come from elasticity. I know this morning there was some comment in the newspaper about elasticity as has been determined by one of the papers. Their determination and ours is actually about the same.

There has been a lot of work done on this, but nobody can guarantee how people will act. Obviously, we will get the savings from the elasticity or the higher price, having people buy less.

Then, what additional amounts may be required hopefully can be done without a major type of rationing and allocation program, if that is necessary.

Q When the President considered rationing, the alternative of rationing, did he consider a rationing of automotive fuels or did he take rationing as the entire oil production?

MR. SEIDMAN: You have to, if you are going to restrict the amount of fuel, the amount of crude oil that comes into the country, in order to have an absolute ceiling on what is coming in, then obviously you are in control of the total fuel package and everything would have to be rationed, or allocated, either way.

MR. NESSEN: We were dealing with a question earlier which I am not sure we satisfactorily answered, and that is the effect of the $18 billion in higher excises and so forth on various petroleum products and how it translates into a total higher cost figure in the economy.

We have been talking about $30 billion, and I hope I am right about that, or a 2 percent rise in the cost of living. I think they would like to explore that with you.

Q Could you go through that and tell us what those figures are and what we are talking about on total price increase?

MR. SEIDMAN: I understand the question is what is the one-time price increase in terms of cost of living by the imposition of these taxes, and the deregulating of old oil. Is that a fair statement?

Q Yes, and of natural gas.

MR. SEIDMAN: Taxes, the new natural gas deregulation, that is a very minor factor, at least in the near future.

That question revolves around the starting figure that you are going to be charging because of the taxes, $30 billion more for fuel because of the effect of the deregulation and of the taxes. That $30 billion is roughly 2 percent of the Gross National Product.

I guess the argument or the discussion revolves around the fact that when a business buys a petroleum product and it costs them a dollar more, when they sell it to their customer, do they charge a dollar and five cents or a dollar and ten cents in order to put a profit on each part of their product as it goes through the marketplace.

First, I think any of us who have been out there in that kind of business knows that it depends first on the marketplace. If you and all of your competitors have this cost increase, it is not necessarily true that that means your market for your product is going to increase and all of you can increase your profits.

That is what you are saying, that as this passes through the market everybody is going to take a higher mark-up and, therefore, there will be more profits and that will increase the cost to the consumer.

The fact of the matter is that in the total picture in the recent cost increase that we have had on oil, there has not been a huge increase in corporate profits, which this increase of margins would have affected, so we have had an actual model in this regards.

That doesn't mean that certain areas might not have it, but if you look at the economy as a whole, and you look at the very much more substantial increases that we had just over the last two years, margins have not increased by vast amounts.

I believe that these higher figures that we are getting are the result of putting into a computer certain assumptions and pressing the button and saying, if we go this way, what will be the increased margins or ripple effect, or whatever you want to say.

The computer's records, at least as they were displaced to us at the summit conference, don't give me unstinted admiration for how they all come out in the end in terms of predicting the future.

There are some additional costs, if you have to carry an inventory which is larger in dollars, because you had to pay a tax on it. That does increase your carrying costs.

I would just like to make the point I think the real discussion here might be between one and three-quarters percent because if they can't pass it on, which they can't in some cases, margins actually go down and that actually ends up going in the other direction.

So, to make a very long answer short, I think we are talking about somewhere between 1-7/8 percent and 3-1/2 percent as a margin, where if, as they say, you put four economists in the room, you come out with five answers.

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I think the fact is within that range we know we are going to have to pay something extra. That is the sacrifice that moving towards energy independence requires. If you go down the rationing way, you are going to have a similar kind of penalty.

Q What we were talking about, Mr. Seidman, was where the $30 billion comes from. Is it $18 billion in direct energy taxes and another $12 billion from windfall profits?

MR. SEIDMAN: The answer to that is yes.

Q Where does the ripple effect come from? Mr. Nessen introduced something called the ripple effect.

MR. SEIDMAN: One, I don't subscribe to the fact there is any material ripple effect, but the argument, as I understand it, is the one I have just been discussing, because business pays -- take an ordirnary business that pays $1 for a product that has petroleum in it, and that product suddenly goes up to $1.20.

They are going to charge more than that extra 20 cents when they sell the product to the customer. That, as I understand it, is the usual way.

Q Are you saying if an airline is charged a higher fuel bill, it is not going to go to a Government regulating agency and say we need a higher passenger fare?

MR. SEIDMAN: The question is not whether they can pass through their cost increase but whether they can pass through more than their cost increase. Otherwise, it is what the cost increase is.

Q But when you ride on that airline and you are paying a higher fare, that raises your cost base. Aren't you going to pass that along to your own customers, your freight and travel?

MR. SEIDMAN: Sure. I mean, the product will go along to where it goes. The customer in the end pays it all.

Q So that is the ripple effect?

MR. SEIDMAN: No, it isn't any ripple because nobody got any increase. If you follow it through, you can't make something out of nothing. In other words, if it is all going up, where did it land?

Q You are saying a ripple effect, as you define it, would consist only of increased profit margins beyond cost?

MR. SEIDMAN: Profit or additional costs resulting from the higher costs, which is the point I made about carrying margins.

Q The 2 percent is the effect of the added cost without adding anything to that?

MR. SEIDMAN: Basically that is correct because that, as far as we can tell, is what happened last time.

Q Doesn't that fail to take into account -- your computation -- that there will be a sharp increase in the price of domestic oil, old oil? That is 60 percent of the oil. It will be allowed to rise now from $5.25 to $11 plus the $2 tax.

Isn't that a very substantial increase that is not taken into account in your computation?

MR. SEIDMAN: No, that is totally in it. That total amount that it rises, the windfall profits tax takes back so that is in there.

Q Could I pursue that? Therefore, the UPI story quoting you as saying that the total additional cost would be $55 billion is not correct? The story today is on the wire.

MR. SEIDMAN: Fifty-five billion dollars?

Q Yes.

MR. SEIDMAN: I don't even remember mentioning that figure.

Q That is how this began. I was just asking you.

MR. SEIDMAN: I don't have any memory of ever talking about $55 billion in this respect.

Q Then if we can put it on a dollars and cents basis, the 2 percent is the effect only of passing along only the added cost of the profit, right? That is $18 billion in added cost as a result of the energy taxes?

MR. SEIDMAN: No, it is about $30 billion.

Q That is with the windfall profits?

MR. SEIDMAN: Yes, but the windfall profits are equated with the increased price by deregulating the old oil.

Q That is the limit. What you are saying is that you have a trade, in effect there is no ripple?

MR. SEIDMAN: I am saying that based on the work that the Council of Economic Advisers has done, looking at this the last time, they don't see a material item. Nobody knows completely, obviously, on this kind of thing, but it is not a matter of huge amounts.

The only thing I can think of on that 55 may have been the difference between what some of these other suggestions have been and the figure we are using. As I understand it, the Harvard report, or whatever it is, says they believe it is 3-3/4 percent, something like that, which would be 60, so maybe that is where the 55 came from.

Again, let me point out, in a total package over 10 years, which is the kind of problem you are looking at here, we are still only talking about 2 to 3-3/4 percent, whatever it is, and I think that is very important and it is a one-time thing.

Q Aren't there also inflationary effects to the deficits that are going to be experienced this year and next? Also, when you give back a tax rebate, isn't there an inflationary effect to that, and when you cut peoples' taxes and increase their purchasing power, isn't there also an inflationary effect of that? What is the conglomerate inflationary result?

MR. SEIDMAN: I think I could probably answer that little question by saying yes and no. Is there a potential for inflationary effects? I think that has all been stated many times by the P esident, that the size of the deficits are a concern in this area.

Q Has it been figured out what the effects are likely to be?

MR. SEIDMAN: Yes, there has been a great deal of work done in that area. It is importantly a matter of timing, a matter of what the demands are by private capital on the markets, and it is hoped that what needs to be done for the economy to get it going can be done with a minimum of potential inflationary effect.

Q Are you acknowledging that the Harvard estimate of 3-3/4 percent added inflation could probably be accurate rather than your 2 percent?

MR. SEIDMAN: No, I did not say that. I said that all of these are estimates, and based on our estimates where we relied heavily on what happened when oil prices had just been increased, we feel it is lower than that. But I say the difference in terms of the total program is still relatively small when you are talking about a one-time thing in a 10-year program.

THE PRESS: Thank you.

END (AT 12:47 P.M. EST)#125