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THE WHITE HOUSE

PRESS CONFERENCE
OF
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ROOM 450
OLD EXECUTIVE OFFICE BUILDING

2:40 P.M. EDT

SECRETARY SIMON: Let me first apologize for the delay in the receipt of these documents. I probably will not find out what happened for about three weeks but I apologize for the inconvenience.

What you are receiving now are the fact sheets, The speech does not contain all of the information, obviously. There are more fact sheets on the way.

Ladies and gentlemen, I had originally scheduled this, as you know, to be all prepared by 2:30, and I was going to speak for about 45 minutes and then accompany the President to the Hill for the speech to the joint session. As a result of this snafu, we are late and we obviously would not have had much time even if we had adhered to that schedule.

Instead of going to the Hill with the President, we will stay down here and respond to your questions until after the President speaks, certainly, and then we have to go to the Hill and brief the bi-partisan leadership.

So, this is an effort, a small effort on our part to accommodate you any way we can for this, as I said before, gross inconvenience to you and your time.

But, let me start now. Bill Seidman is still with the President and he will join us here in a minute and I just have a few opening comments, and we have the experts in several areas here to respond to any questions supplementary to my answers, or to answer technical questions.

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(OVER)

We have the Assistant Secretary of the Treasury for Tax policy, Fred Hickman, in the area of taxation.

I am glad to be here today to discuss the President's program to control inflation and maintain a healthy and growing economy. Now, I guess there are some people who are expecting a block buster, something that we are going to announce today that is going to be an instant cure for the problems that we have.

The fact of the matter is, as we have said so often, there are no instant cures, no magic formula that is going to cure our inflation immediately.

If the economic problems were simply the temporary inflation that often happens after the peak of a boom or the problem of temporary unemployment that occurs in a recession, the President's program could be quite straight-forward and simple.

For the first part of it he could put on the brakes of fiscal and monetary restraint and in dealing with the second, he could apply policies that could turn expansive. In either case, balance would be restored fairly promptly.

This time we have an inflation in an economy that is also suffering from severe basic imbalances and it is a very complex problem. We all recognize that our inflation didn't develop from just one or two factors, but rather a combination of factors. It is multi-dimensional in nature.

In addition to the pressures that are caused by the cartel pricing practices in oil, we have also suffered from some misfortunes including bad weather, which has affected crops, bad timing, cyclical convergence of a worldwide boom and bad policies that reflect years of excessive government spending and monetary expansion.

We now have to accept the responsibility for these government policies and recommend policies that fully take into account the circumstances in the world in which we find ou selves.

I believe the program that we are presenting to you today, that the President is presenting today, does just that. It is going to be perhaps a disappointment to those who argue for more government regulation, wage and price controls, credit allocations and gasoline rationing. Instead, we are presenting a program aimed at mimimizing government controls.

You know, we mounted I think -- and I have been told by people who have been in government a good deal longer than I -- the most comprehensive effort ever undertaken in the Government to deal with the subject of economic policy.

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It was an effort that cut across the whole line of the cabinet officers with much participation and discussion.

This effort dealt with every area of the government and private sector activity. We drew heavily upon the many recommendations made at the Pre-Summit as well as the Summit meetings. We met continuously with President Ford to discuss all of the facets and all of the options that we had in front of us.

During this effort, I think a lot of things became apparent to us and one that certainly sticks out in my mind is that we have in the United States of America more government than we need. We have more government than most people want, and we certainly have more government than we are willing to pay for.

Now, in this balanced program that we are presenting, balanced as to fiscal and monetary policy approach, it includes firm and persistent restraint of both public as well as private demand. At the same time it provides the means for healthy, long-run growth and the capacity of our economy, programs aimed at correcting these imbalances that have developed in recent years and alleviating the inequitable hardships that have been imposed upon the poor.

Some further rise in unemployment is probable and we are going to take steps to deal with that. However, we can and will achieve our goals without a large rise in unemployment.

This is going to be a joint effort. It is going to be an effort of both the Congress and the Executive Branch.

As you go through this fact sheet, I think you will identify over 30 pieces of legislation, about a third of them new legislation that goes with our new proposals and the rest of them recent legislation that has been proposed but not enacted, to which we attach some great sense of urgency. This is a complete package, one that will deal with the whole problem and we should not look at it by just taking bits and pieces out and picking the parts we like and don't like because it is a program that requires some sacrifice in certain areas.

As we have said on many occasions, this is not going to be painless, nor is it going to be a swift process in the cure. We are dedicated to once and for all solving the problem of the insidious inflation that we are today experiencing.

It starts out, the economic program, amending the Employment Act of 1946, which means that we must add something that some people have thought was implicit in this and that is the maintenance of price stability along with our other goals in that worthy act.

In the international area, our efforts are directed at cooperative activities in broad areas of food, and fuel, and many others which are well known to you, and they are here in the fact sheet. I am being necessarily brief in some of these areas so that I can maximize the question and answer period, which I am sure you would like.

Food prices are a major concern in our fight against inflation. Because of the weather and heavy demands from around the world, current forecasts anticipate price increases. We are committed and remain committed to all-out food production.

There are presently no restrictions government-wise on wheat and feed grain and soybeans. In addition, we are going to offer new legislation to remove restrictions on peanuts and long staple cotton in addition to the rice legislation where we support quick passage -- that is already up there on the Hill -- as long as it has a non-inflationary support price.

The farmer must also be assured of adequate supplies of fuel and fertilizer. The Secretary of Agriculture has been directed to work with the Inter-Agency Fertilizer Task Force to establish a reporting system. Fuel will be allocated if it is necessary. We will work with fertilizer companies to initiate voluntary efforts to reduce non-essential uses of fertilizer. We will also seek, if necessary, the necessary powers to allocate fertilizer.

It will be our policy and continue to be, to provide conditions that are going to enable the farmers to dispose of their entire output of agricultural commodities at reasonable prices. The Federal Government, as you know, will monitor food exports to assure that we retain adequate supplies at home while doing our best to maintain and meet the needs of our friends abroad.

Over this past weekend we initiated a voluntary program to monitor grain exports. The Committee and the Economic Policy Board will be responsible for looking at the entire situation after the crop report comes out, I believe the 10th of this month.

USDA and the Council on Wage-Price Stability have been directed to help reduce the cost of food by improving efficiency in the agricultural sector. Upward pressure on U.S. food prices will be reduced by helping developing nations to become more self-sufficient in the production of their own food.

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In the energy area, expensive petroleum from insecure foreign sources jeopardizes our national security. It increases worldwide inflation and places strains on the international financial system. In order to reduce our dependence on foreign supplies, we have decided upon the following program to meet this energy challenge: Our immediate objective is to reduce oil consumption by one million barrels per day in 1975. I am confident that this target can be achieved without affecting any industrial output.

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This energy program calls for both mandatory and voluntary efforts. If these reductions are not achieved through the energy program that is presented today, we will seek more stringent means to insure that our dependence is reduced.

We have to develop conservation methods. We must continue and reaffirm our desires to conserve energy. You all know -- we warned many times after the embargo ended -- that the American people might go back to sleep, and while we are still saving energy below what was originally forecast, the amount of the reduction is not, in our judgment, satisfactory.

So we have to reaffirm our dedication to again work toward the areas of conservation that the American people responded to so well last winter.

In order to accomplish this goal, we are going to do it in many ways, not only on the demand side but on the supply side as well. We will submit legislation to require the use of coal and nuclear power for new electric power generation and conversion for existing plants.

We are setting a target date to eliminate oil-fired plants from the Nation's mainland base load electric capacity where it is feasible to convert to coal without endangering public health. We will use the Defense Production Act selectively to insure sufficient supplies of scarce materials that are needed for energy development projects. This Act was recently invoked to help get materials for the construction of the Trans-Alaska pipeline.

The automobile industry is going to be asked to develop programs for gasoline savings. During the past several sessions of Congress, legislation to require fuel savings has been considered and the nature of this legislative effort really has often caused confusion. We passed some additional costs to the consumer and perhaps subjected them to some unworkable deadlines. Therefore, we are requesting the automobile manufacturers to submit to the President a five-year schedule of their plans to produce more-efficient automobiles.

Goals on efficiency for industry are going to then be established by the Government. If necessary, the President will present legislation to the Congress for consideration.

The President has requested the Secretary of Commerce to develop energy-use guidelines which will suggest ways for industry to use energy more effectively.

Also, of course, we need more rigid compliance with the maximum speed limit. We all get many reports. I know many of you have spoken to me about "Everybody is back in business as usual." I don't think it is quite true but I still think that we need more rigid adherence to the 55-mile-an-hour speed limit.

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Not only has it saved a good amount of petroleum -- our estimates are 250,000 barrels a day are saved because of this speed limit -- but it has also resulted in a significant reduction in the highway death toll, which I consider equally as important.

Next is further conservation within Government. In your fact sheet you will see many actions there that are very familiar to you, recalling the days of the past winter. We are going to mandate these actions as far as Government is concerned. We recognize the difficulty of mandating reduction of thermostats in people's homes because we can't have thousands of people running all over checking on people's thermostats at home. We have found wonderful compliance with that last winter. We also expect and hope for the same compliance again.

As I said at the outset, if our targets are not met we will be suggesting stronger action to meet them. I will not go through all of the mandatory actions or the voluntary actions.

We are also asking for legislation that will increase domestic supplies of energy and there are some short-run actions that we can take.

I don't put the deregulation of natural gas as a short-run problem but it certainly isn't a long-run problem because in three to four years we could see some benefit from deregulation of natural gas and the attendant additional exploration that we would have comes upon us very quickly, so we are pushing for the deregulation of natural gas.

There is a short-run action -- Naval Petroleum Reserve Number 1. The President will submit legislation so that we can utilize and maximize the production in NPR 1. It can immediately be brought up to 160,000 barrels a day and, within a short period of time, be brought up to slightly over a quarter of a million barrels a day and perhaps more.

In addition, the President will propose legislation to explore NPR 4 in Alaska. This supposedly, according to the experts, has 30 to 40 billion barrels of reserves.

I hasten to add it is unproven because we don't have one developed well there. We will seek that legislative authority immediately.

As to the Clean Air Act amendments, the 13 amendments or 12 that were submitted to Congress just a few months ago, are going to be resubmitted in the same form.

On surface mining, an acceptable strip-mining bill must be passed by Congress. We have some problems with the bill that is in the Congress right now and we hope to work these out. We think that these problems can be resolved, and our obvious need for increased coal production is important.

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There is the nuclear plant licensing bill, the deep water port facilities, ERDA, and all of the other actions. We are going to change the definition of secondary and tertiary recovery, which, as you all know, is a more expensive method of producing oil and, at the controlled oil prices, it is not economic for most of these to be explored. As a result, they will be redefined as new oil where practicable.

We will resume leasing of Federal land in 1975 to develop the vast coal resources underlying these lands -- leasing public land for oil shale and geothermal, and re-evaluate our entire oil shale and geothermal leasing program.

We will have completion of plans next year hopefully to bring Alaskan gas to our market. As I say, I am skipping over a great deal of these areas. You can read these and the details in your fact sheet.

There is increasing investment to accelerate the growth of capital investment. The President is calling for an increase and a restructuring of the investment tax credit. The credit will be increased from 7 to 10 percent for utilities. The actual increase is from 4 to 10 percent, although in the present Ways and Means Committee bill it already brings utilities up from 4 to 7.

The restructuring of the credit will eliminate existing restrictions which now limit the incentive value of the credit and discriminate unfairly between the types of taxpayers and investments that qualify for the credit.

We also must strengthen our capital markets. The capital markets are the centerpiece of our free-enterprise economy. The most important thing that we can do to restore the glow of health to these markets is to get control, of course, over inflation. A rapidly rising price level is the bitter enemy of savings and investment.

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As part of the anti-inflationary effort we will take a step that will also have a direct beneficial impact on our financial markets and that step is to work toward a balanced budget and to keep it balanced. A balanced budget means that all of the savings generated by our economy that we would preempt as we go through our deficit spending could be used for new and productive investment.

Of course, we are also going to take into account, as we work toward this, the budget agencies. We must create a better environment in the financial markets for equity capital.

In recent years corporations have been unable to raise adequate new equity capital. They have been adding heavily to their debt and, as a result, the capital structure of business has been getting out of balance with too much debt and too little equity.

This is especially true for our electric utilities.

To aid in this area and also to improve the health of our financial markets and to encourage investment, the President is proposing tax legislation to provide that dividends paid on qualified preferred stock be allowed as a deduction to the paying corporation.

We are also working with Congress to revise, as is in the Ways and Means bill, the treatment of capital gains and losses in such a way as to increase the efficiency.

In addition, we support strongly the pending legislation to eliminate the tax on interest and dividend income accorded to foreign holders of U.S. securities, and elimination of this impediment.

The elimination of this tax would remove an impediment from the flows of capital into the United States.

In the area of anti-trust the elimination of outmoded government regulation must, of course, be accompanied by dedicated and vigorous enforcement of our anti-trust laws.

To support this effort we have asked for two legislative enactments: First, increasing the penalties associated with anti-trust violations. For corporations, the maximum penalty will be increased from $50,000 to $1 million, while for individuals it will be increased from $50,000 to $100,000.

Second, we have to strengthen the investigation power of the Anti-Trust Division of the Department of Justice. This is going to be accomplished by speedy passage of the Administration legislation now pending before the Congress.

Government regulation: The government imposes many hidden and inflationary costs on our economy. The broad programs going to be undertaken to attack this problem and identify opportunities for change.

These are the so-called "sacred cows" that you all wrote about after many of our pre-summit meetings. The Council on Wage-Price Stability will act as a continuing watchdog on the inflationary actions of the federal government, to uncover the laws and regulations that raise costs and stifle economic flexibility and initiative.

We have to eliminate these restrictive practices of the government in areas such as transportation, labor, and agriculture.

The National Commission on Regulatory Reform: The President is going to submit legislation to create a national commission on regulatory reform to examine the policies, practices and procedures of those agencies and develop appropriate legislative and administrative recommendations.

This membership will include Members of the Congress, the Executive and private sector representatives.

The President will require all executive agencies to develop inflation impact statements to assess the inflationary and employment consequences of major legislation or regulations prior to any action that the agency might contemplate.

The President also recommends that Congress take similar steps.

New approaches are required to eliminate the interminable delays often created before these regulatory matters are resolved. There are several important pieces of legislation in your fact sheet we will also push in the area of regulation for immediate enactment.

The Council on Wage and Price Stability will devote primary emphasis to two functions: First, it will act as a watchdog on the actions of government which raise costs and impedes competition. It will recommend needed changes in legislation.

Second, it will monitor price and wage movements in the private sector. In general, the Council will carry out this function by seeking the full voluntary cooperation of labor, industry and the public to solve all of the problems of our mutual concern.

The Council will work with the President's new Labor-Management Committee. In addition, the Council also has the power to and will, indeed, conduct public hearings.

Among other duties, we will work with the Cabinet Committee on Food, the Fertilizer Task Force, and the new Construction Industry Advisory Group.

The Council, however, will not be a wage-price control agency. Controls do not stop inflation. They did not do so the last time around, and they did not do so in World War II when prices increased despite severe rationing.

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Controls make inflation just worse. They create shortages and hamper production and stifle growth and ultimately cause unemployment.

The National Commission on Productivity will spend a substantial amount of its energies to extend and deepen the drive to increase productivity in government. That is federal state and local. The rest of its effort will be devoted to the private sector with meaningful emphasis on programs at the plant level.

Special attention is going to be devoted to construction and health services. We are proposing the National Employment Assistance Act of 1974. It is going to provide standby authority to help alleviate the impact of unemployment should unemployment rates rise.

This Act would authorize, during the next 12 months, two programs.

Here is the one error that we have been able to find in the fact sheet. I hope it is the only one. I believe your fact sheet says 18 months. Make that 12 months.

QUESTION: That is on page 25.

SECRETARY SIMON: All right, page 25, thank you.

It is 12 months instead of 18 months and, consequently the day it ends is December 31, 1975 and not June 30, 1976. I say we believe that is the only error, but maybe there may be others.

Page 29 has the same error on the fourth line. June 30 should be December 31, 1975.

This Act would authorize during the next 12 months two programs which would begin to operate, should the national unemployment rate average six percent for three months, one, temporary programs of income replacement known as special unemployment assistance programs for experienced unemployed workers in areas of high unemployment would exhaust all other unemployment compensation not eligible for such compensation; and, two, a program of employment projects for these same areas known as the community improvement program.

While the primary purpose of the two programs is to alleviate the hardships of unemployment upon individuals, it will also alleviate the adverse impact on those local economies hardest hit by unemployment.

The assistance benefits serve to cushion the effects of protracted unemployment by providing additional income replacement to workers who have exhausted their unemployment benefits or to individuals with a demonstrated labor force attachment not otherwise eligible for U.I. benefits.

You can read the balance of that including the chart that is in your fact sheet. That shows how you have this triggered and the amounts of money that accompany each percentage of unemployment three months and it triggers out after three months below six percent as well, as it states there.

In the area of housing President Ford today is proposing extending on a temporary basis the advantages offered by GNMA to mortgages which are not FHA or VA, so-called conventional. Initially, $3 billion will be dedicated to this. This is an amount that is sufficient to finance approximately 100,000 homes. The proposed program will be in addition to the over $19 billion of federal funds that have been made available over the past year for the purchase of mortgages to supplement the buying power of the hard-pressed thrift institutions.

By making conventional mortgages on new homes eligible for purchases by GNMA, builders and homebuilders are going to be assisted where mortgage credit is scarce or even nonexistent. Authority will expire in 12 months and the rest of it tells you that the commitments cannot exceed $7-3/4 billion being purchased and not yet resold. The maximum mortgage amount is $45,000.

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Public utilities, I will skip over that. I have already mentioned that, and the tax credit, the increase from four to 10 percent.

On thrift institutions there is the Financial Regulation Act that was submitted a year ago August, as well as a study of the additional ways to alleviate the problems of disintermediation that affects the thrift institutions during periods of high interest rates.

Control of the federal budget is a vital exponent of our anti-inflation efforts in reducing the fiscal '75 budget. Obviously, it is not going to have a major impact on the rate of inflation but it is a first step in reducing the powerful momentum of our rapidly climbing federal budget and thereby gain the spending control that is so necessary for '76 and beyond. Over the long-term, this budget control is going to substantially reduce inflation.

Now, our program for fiscal discipline has elements on both sides of the budget. On the revenue side, we propose a surcharge on high income taxpayers and corporations. The increased revenues from the surcharge will pay for the additional unemployment insurance, the community improvement program, the increased and restructured investment tax credit and the revised tax status of the preferred stock dividend.

On the expenditure side, the President has reaffirmed his intention to hold budget outlays for fiscal '75 to at or below $300 billion. Cutbacks are going to be needed to achieve that goal.

The President is asking Congress to enact a bill establishing a budget outlay ceiling for '75 of $300 billion. In establishing that target, the bill outlines a plan for a set of actions which will result in the necessary outlay reductions as stated. Upon Congress' return we will have the measures of deferral and recession and will work with them in the interim for their enactment.

A surcharge of five percent, a corporate surcharge, will be requested effective January 1, 1975 and continuing through December, 1975. A five percent individual tax surcharge will also be imposed for '75 on income tax liabilities attributable to income above what we call an upper income threshhold.

In general, the proposal is designed to exclude from surcharge families with adjusted gross incomes below $15,000 and single persons with adjusted gross incomes below $7500. However, because income tax liabilities are based on taxable income rather than adjusted gross income, it is necessary to translate on some average formula basis the $15,000 and $7500 in comparable tax income figures.

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This was done by the chart that you will find in your book.

The proposal to change the investment, tax credit has three principal parts -- the elimination of existing limitations and restrictions on the credit which tend to discriminate unfairly between the types of taxpayers and investments which qualify for the credit, and increase in the rate of the present credit from seven to 10 percent, and making the credit a reduction in basis for depreciation purposes.

Increasing the rate from seven to 10 percent will increase the cash flow to all companies in the immediate future. It, of course, is going to be offset in future years by lesser depreciation deductions, eliminating the limitations based on useful life so that all properties with life in excess of three years are going to qualify for the full credit. That is to eliminate the discrimination against public utility property.

It will replace the present limit on the maximum credit which may be claimed with eventual full refundability of the excess of credits over tax liability. Credits in excess of the present limitations may be carried back three years and into the succeeding three years to offset tax liability, after which time remaining excess credits are going to be refunded directly to the taxpayer.

This is going to help growing companies that have large present investments in comparison with their current incomes, and also it helps companies that are in financial difficulties that have no income tax liability at present against which to apply the existing credit.

Deductions on dividends and certain preferred stocks -- they are in the process of writing the regulations in the Treasury on this proposal now. Preliminary preferred stock would be required to be non-voting to qualify, limited and preferred as to dividends and entitled to a liquidating preference. The intention to qualify for preferred stock under this new provision of the Internal Revenue code would be required to be clearly indicated at the time that the stock was issued. This is going to give them the ability to issue stock so that the dividends would be deductible, so they will have an alternative means and this will hopefully broaden their market to other classes of investors.

We support the tax reform bill now pending in Ways and Means that provides about $1 billion 400 million of tax relief for individuals with incomes of less than $15,000. In addition, the bill will provide another $500 million to $600 million beginning in fiscal '76 and we support using those revenues we received also to provide income tax reductions for these lower income people.

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Then we talk about the tax reform bill that is in the Congress right now. Our proposals are a compliment and a supplement really to the tax reform bill. As I say, the President is endorsing the investment credit in the present bill utilizing the treatment of capital gains and the elimination of the withholding for foreigners.

That is what we attempted to do and hoped that will happen with our limited tax proposals. We tried to take a rifle approach rather than a shotgun approach and to attack the specific problems and hope that the Congress would enact this piece of legislation as is without amendments and separate from the tax reform bill that is going through the Ways and Means Committee now.

This is what the President will urge.

The President, in a speech next week, is going to announce a very comprehensive voluntary program, the very beginnings of which you will find right at the back of your fact sheet.

With that, gentlemen, I guess we will have questions.

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QUESTION: There is a promise that we can leave here at 3:40 so that we can file at 4 p.m. from the White House, and we would request permission for that.

SECRETARY SIMON: I will be delighted to do anything that you want. That is all right. We will pass out the speech. We will try to get more fact sheets.

QUESTION: How much would the corporate and individual surtax raise in taxes?

SECRETARY SIMON: In your chart it is $4.7 billion.

QUESTION: A lot of that is going to be taken out in consumer purchasing power. Isn't this going to tend to more recession?

SECRETARY SIMON: When you say consumer purchasing power, you are talking about taxing individuals over $15,000 a year, which represents 28 percent of the tax returns, individual tax returns.

QUESTION: What was that figure?

SECRETARY SIMON: 28 percent.

QUESTION: Did I hear you say $4.6 billion on the surcharge? I am looking at the budget impact statement on page 35, and it says $1.6 billion.

SECRETARY SIMON: I am giving you the gross amount that would be collected over a year, and what you have there is the two-year impact because there are lags to the collection of taxes and on the impact of the investment tax credit. It doesn't all come in within one year and, as a matter of fact, most of it comes in the following year, and that is the reason the numbers are different.

QUESTION: What is that $7 billion breakdown there?

SECRETARY SIMON: That is 4.7 billion. It is 2.6 billion for individuals and 2.1 billion for corporations.

QUESTION: This proposal to permit deductions of dividend payments on preferred stock -- do you see that as a starting move that you hope some day to have the budgetary room to extend to all dividend payments?

SECRETARY SIMON: We did not have that in mind when it was proposed, Miss Shanahan. The ultimate integration of corporate and income taxes which has occurred in most of the industrial countries of the world would have a severe revenue impact, and I would say that would have to be looked at in the context of major tax reform. I guess it could be described as a limited step in that direction, but we thought this was a very useful tool to give public utilities in particular and other companies in general a chance to expand their equity base.

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QUESTION: Mr. Simon, I don't think that you answered my question. I was asking what effect a $2.6 billion cut in consumer purchasing power would have on the economy and on the retail industry in particular.

SECRETARY SIMON: We did not believe that the impact was significant, of a 2.6 billion one-year surcharge.

QUESTION: Mr. Secretary, what do you regard as the most significant mandatory aspect of this, the mandatory energy portion of it?

SECRETARY SIMON: I would say the toughest proposal is asking the President for the powers to switch, federally, utilities in this country from oil to coal, number one, and the amendments of the Clean Air Act, number two, and the de-regulation of natural gas. All of these are very strong actions and they are designed really to bring out additional supplies really in the short run.

QUESTION: Are they all dependent upon further Congressional action?

SECRETARY SIMON: They are dependent upon Congressional action, yes, sir.

QUESTION: What percentage is 1 billion barrels a day?

SECRETARY SIMON: Today we are importing approximately 6 and 1/2 million barrels a day, and we are consuming about 16 and 1/2.

QUESTION: How much did you anticipate that we will need of imported oil, that we will not need to import after this program is under way, the whole million?

SECRETARY SIMON: I believe by the end of 1975 we will have achieved a reduction of 1 million barrels a day.

QUESTION: That is foreign oil?

SECRETARY SIMON: Yes, in our imports.

QUESTION: Without deferrals and recessions, what would spending in fiscal '75 come out at?

SECRETARY SIMON: Our budget as submitted last January was approximately $305 billion.

QUESTION: What has Congress added to that?

MR. ASH: It could be another $2 billion, but we don't know how that legislation will come out.

SECRETARY SIMON: The legislation in process now could be in the area of $2 to $3 billion, but the President has announced that he will veto legislation in excess of the budget as presented and furthermore will take the necessary actions to bring it down from the original approximately $305 billion to at or below $300 billion, and he is asking Congress to enact the legislation setting that as a ceiling.

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QUESTION: Mr. Secretary, you spoke of taxes for individuals with incomes at the level of $15,000. How do you reconcile that with the surcharge on the income of individuals above $7500?

SECRETARY SIMON: Well, it talks about families, Mr. Levine, at $15,000 and individuals at $7500 and then it adjusts through this formula that we have here.

Instead of adjusted gross income, it has to be translated into the taxable income.

QUESTION: I understand that, but I am referring to the comment here, "We support the tax reform bill now pending in the Ways and Means Committee which provides for tax relief for individuals with incomes of less than $15,000."

You are providing tax relief for individuals with less than $15,000 on the one hand while providing a surcharge for individuals over $7500.

SECRETARY SIMON: No, this would be computed.

Isn't this computed in the tax reform bill basically the same way, Fred?

MR. HICKMAN: The income distribution in the tax reform bill is broken out simply according to adjusted classes but we are talking about the bill providing this relief. It provides more relief than that, but this is the portion that is attributable to adjusted gross incomes of less than $15,000.

For those purposes they are not strictly comparable. It doesn't make any difference whether one is single or not.

QUESTION: Could you tell us what these are in the nature of, the benefits of the program? If you put it all into effect, what would the economy look like at the end of the full year of taxation?

MR. HICKMAN: I think we have put into place the necessary programs to stimulate the investment in our productive capacity in this economy that are required. We at the same time put into place a policy of budgetary restraint to match our monetary restraint and the unemployment assistance that is going to take cognizance of the fact that there are going to be those that bear a disproportionate burden of disinflation policies.

We have taken care of housing by those steps in recognition of that.

QUESTION: Could you tell us what the inflation rate would be if you got this whole program put into effect, what the unemployment picture would be?

MR. HICKMAN: Well, when one looks a year in advance and attempts to forecast anything, that is a pretty precarious business. You have seen all of the recent forecasts on what our inflation rate would be and I would certainly say it will be below double-digit inflation that we are experiencing, but I would not like to speculate as to what that single figure would be.

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QUESTION: The President has set a goal of bringing inflation under control by July 4, 1976. What rate of inflation would satisfy that goal?

MR. HICHMAN: I think the President has studiously avoided setting what one might call an acceptable rate of inflation. There should be no acceptable rate of inflation.

We have experienced in the past year an inflation rate that has continued in the upward spiral. We are attempting -- and we believe we can, with these actions -- to reverse that upward spiral and start inflation in a downward pattern.

If we continue with determined efforts and through all of these measures that we are suggesting, if we are fortunate and everything is implemented in the near future, which we certainly hope and believe it will be, that we will have the inflation rate moving down a year from now.

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QUESTION: You would expect it to turn down a year from now?

MR. HICKMAN: I most certainly would.

QUESTION: The corporations will pay $2.1 billion more in taxes and how many millions of dollars in tax benefits will they get under your program?

MR. HICKMAN: Well, on the tax benefits, if the investment tax credit is increased, that gives them an annual benefit of approximately $2.7 billion, so in the first year the benefit is small but in subsequent years, obviously -- it is a one-year surcharge -- they would benefit to the tune of $2.7 billion with an additional $100 million for the preferred stock change.

QUESTION: What kind of regulation would be unacceptable by a Government regulatory agency that is counterproductive in your view?

MR. HICKMAN: When we talk about "unacceptable," this is why we have to go into this whole regulatory process without identifying at this point and making sure that we pick out areas where there are good reasons for regulation. Regulation is supposed to protect people and not impede. There is some strong feeling that many of our Government regulations today impede the competitive process and raise the price to consumers.

You have areas in the trucking industry that are an illustration of that, and they are very emotional issues. There is the midway problem where, if a truck is driving 100 miles, very often it is forced to drive around an additional "X" number of miles because it is not allowed to take a certain route.

The back-haul problem is another area, but we have to recognize at the same time that everybody's back-haul is somebody's front-haul.

QUESTION: If you want to save 1 million barrels a day of imported oil, why didn't you impose an oil import quota of 1 million barrels a day?

MR. HIC MAN: We had discussed that and we discussed everything, but we didn't want to set in place a rigid program of a dollar limit or a barrel limit. We believe we can accomplish the same thing or more by imposing all of the measures that we have recommended.

THE PRESS: Thank you, Mr. Secretary.

END (AT 3:38 P.M. EDT)