Pulling through recession US still faces grim future

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WASHINGTON — The United States is pulling out of the worst recession since the 1930s, but American's face unemployment and high prices for years to come, the Congressional Budget Office said Tuesday

The budget office, Congress' counterpart to the president's Office of Management and Budget, offered two possible strategies. One would speed up economic activity to provide more jobs. The other would be aimed at trying to hold down in-

Forbidden to make recommendations, it advocated neither, but projected the expected consequences

The nation's recent surge in prices is particularly alarming be-

stabilize the global economy.

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boosts on at least two previous occasions

cause it has been largely concen-trated on necessities, said Alice Rivlin, an economist who heads the budget office. She told a news conference the surge could endanger the still-young recovery. When inflation is concentrated

on food and fuel, consumers have to is little money left over for other purchases, and the economy suffers

A second danger, Mrs. Rivlin jobs said, is that continued price increases will trigger another round of arge wage increases, spinning the

inflationary spiral even higher. Some of the present favorable factors may be temporary," she de-

Kissinger warns

against oil hike

VIENNA — The economic commission of the Organization of

Commission members, mostly high officials of economics and

However, Kissinger told the Southern Governors Conference in

The economic commission will prepare recommendations for the

Although the commission is expected to conclude that a price

Petroleum Exporting Countries began preparations Tuesday for a

ministerial gathering that could boost the price of oil. U.S. Secretary

of State Henry A. Kissinger issued a strong warning against such an

finance ministries of the 13 OPEC governments and the group's Vienna headquarters, were tight-lipped about their deliberations.

Orlando, Fla., that the oil exporting nations are moving in the direc-

tion of another price jump. He warned that it could seriously jeopar-

dize U.S. relations with the oil producers and endanger efforts to

Sept. 24 meeting of OPEC oil ministers, who will decide whether to

continue the present oil price freeze, which expires Sept. 30, or raise

prices. OPEC members account for 80 per cent of world oil trade.

boost for crude oil is in order to offset the effect of Western inflation on the revenues of oil exporting countries, it was considered anybody's guess if the ministers would follow such a recommendation. The

ministers have rejected the commission's recommendations for price

"price hawks" and "price doves," with forecasts ranging from no price increase at this time to one of 35 per cent. Saudi Arabia, the No. 1

producer among OPEC members, is on record as saying that it is in the interest of all concerned to delay a price increase.

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The ministerial session is expected to become a clash between

The average OPEC oil price is now \$10.46 a barrel.

clared The budget office forecasts substantial economic recovery until at

least mid-1976, but added that Americans will continue to be plagued with the nation's unprecedented combination of high unemployment and high prices at least through 1977.

By the end of 1976, its report said, the unemployment rate which buy them anyway," she said. "There has remained over 8 per cent this year should be down to the range of 6.9 to 7.6 per cent. This still would nean 7 million Americans without

During the remainder of this year, the report said, prices are likely to continue increasing at an annual rate of 6 to 8 per cent. A surge of increases, especially in food and fuel prices, brought the rate up to 12 per cent in June and July 1975, the report said, but the rate has since subsided — though not to the levels of early 1975.

A speedup in economic activity, the report said, would require coneffect for this year, reducing taxes an additional \$15 billion and in-creasing federal spending by \$10 oil prices "would add nearly 2 per cent to the general price level and could retard or even abort recov-ery," the congressional report billion, all effective in 1976.

Additionally, the Federal Reserve would be expected to allow lapsed and Congress and President the money supply to grow enough to Ford are still at odds on a long-range hold down interest rate increases.

The opposite strategy would be to end the temporary tax reductions by Jan. 1, 1976, cut spending \$5 billion and keep monetary growth at a relatively low rate.

The expansionary strategy, the budget office said, would lower unemployment by 1.1 per cent at the end of two years — meaning about 1 million more jobs - but would raise the rate of inflation for some years ahead by a maximum of five-tenths to seven-tenths of one per cent.

It would increase the federal deficit, although the budget office report said much of the tax and spending cost would be offset by higher revenues and lower unemployment

The restrictive strategy, the report said, would raise the un-employment rate by nine-tenths of

Arab price hike termed 'dangerous'

ORLANDO — Secretary of State Henry A. Kissinger said Tuesday that an anticipated price hike by Arab oil producers "would seriously jeopardize" U.S. relations with those nations and have serious repercussions throughout the world

economy

846-6897

Kissinger declared in an address to the Southern Governors Conference that all countries, particularly the poorer ones, "have an interest to

And the secretary said it is essenindustrial allies get together on an over-all energy policy before another Arab price increase is announced.

one per cent at the end of two years energy policy. So far, however, oil and lower the inflation rate for sev- companies have not generally raised eral years, with a maximum reduction of three-tenths to four-tenths of

one per cent. It would lower the

deficit, but not by the total amount

involved in the spending and tax

The economic recovery, Mrs. Riv-

declining inventories, causing

businesses to begin to think about

replenishing them. She said it also

can be credited to consumer spend-

ing spurred by the temporary tax

cut and increased Social Security

thing else has to happen," she said,

"more housing, more automobiles sales, more spending on capital

goods. We don't see that yet — we just don't see the future clearly after

oil prices "would add nearly 2 per

Immediate decontrol of domestic

Authority to control prices has

'To sustain the recovery some-

moves, the report.

payments.

mid-1976

warned.

Decontrol phased over a substantial period, such as the 39 months under discussion, would have little immediate effect on the economy, Mrs. Rivlin said. But she said there would be an appreciable effect by lin said, can be credited largely to late 1977 and that this effect was not taken into account in preparing projections for the report.

In any case, U.S. motorists can expected to be paying at least 2 cents a gallon more at the filling stations soon, the report said, because the Organization of Petroleum Exporting Countries plans oil price increase

It added, however, that the increase might not be as great as had been feared, perhaps not exceeding \$1.50 a barrel.

The projections also assumed that the \$2 a barrel tax on imported oil imposed by Ford would be dropped, either by agreement with Congress or by a court ruling that the President did not have the authority to proclaim it.

The average price of foreign oil from major oil producing companies is \$10.46 per barrel.



THE BATTALION Page 7 WEDNESDAY, SEPTEMBER 17, 1975



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Kissinger, who later headed for Cincinnati and another public appearance Tuesday night, did not estimate what the new oil price might be. But he pointed out that the cost of Arab petroleum has climbed 500 per cent in the last five years. The Secretary spoke sternly

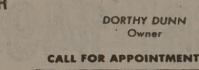
although indirectly - concerning the next expected jump. 'The United States cannot en-

trust its economic and political destiny to decisions made elsewhere, Kissinger said. In other matters, Kissinger told

the 13 governors that the Ford Administration's request for aid to Israel this year "will be below \$2.5 billion, in the range of \$2.2 or \$2.3 billion

He did not give a figure for aid to Egypt, previously estimated by officials at between \$600 million and \$800 million. However, he defended aid to Egypt as important in cementing American influence in Cairo and in stabilizing the Middle East situation generally







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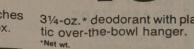
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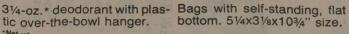
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