

Carter sends Congress proposed budget

WASHINGTON — President Carter Monday sent Congress a \$615.8 billion 1981 budget designed both to strengthen U.S. defenses in "an uncertain and sometimes hostile world" and to press the inflation fight at home.

The proposed budget — to a large extent Carter's platform for reelection — calls for cutting the federal deficit to \$15.8 billion (the lowest in seven years) and \$50 billion less red ink than when he entered the White House.

Aside from increases for defense and energy, a new \$2 billion youth employment program and housing subsidies for the poor, the package contains few new proposals. "We are taking the prudent course of keeping an austere posture because of the tremendous clear and present danger of inflation to the well-being of everyone," Treasury Secretary G. William Miller told reporters.

The budget proposes no tax cuts for individuals or business during the coming year.

Charles Schultze, chairman of the president's Council of Economic

Advisers, said that with inflation continuing and a long-forecast recession not quite here, tax cuts would risk stimulating inflation and imbedding it so deeply in the economy "it would take years and years and years to drag it out."

But Carter said that if the economy worsens "significantly" he will consider tax cuts and temporary job programs. Whether taxes should be cut and when is expected to be a major debate in Congress.

Carter called the budget — which applies to the fiscal year starting Oct. 1 — "prudent and responsible" a "strategy of restraint."

The budget is based on predictions of a mild recession in the first half of this year an increase of 1.6 million persons without jobs, bringing the jobless rate to 7.5 percent and continuing double digit inflation.

It forecasts consumer price rises of 10.4 percent during calendar year 1980 compared to 13.3 percent during 1979.

The Pentagon would get the fastest increase — proposed expenditures of \$142.7 billion in 1980, a \$15 billion increase and a 3 percent

"real" increase over inflation.

The money would be used to develop a new land-based intercontinental missile system the MX; bolster NATO forces and improve the U.S. ability to deploy forces in other parts of the world.

"The uncertain and sometimes hostile world we live in requires that we continue to rebuild our defense forces," Carter said.

"The United States will continue to seek peaceful means to settle international disputes," he said. "But I cannot ignore the major increases in Soviet military spending that have taken place. . . I cannot ignore the implications of terrorism in Iran or Soviet aggression in Afghanistan."

Between 1981 and 1985 he proposed defense increases totaling \$90 billion.

The president said he would propose 1980 supplemental appropriations to increase foreign economic and military aid in response to the Soviet invasion of Afghanistan.

And he said the government will spend \$2 billion in 1980 and \$800 million in 1981 to protect U.S. farmers from economic injury caused by the reduction in grain shipments to the Soviet Union because of Afghanistan.

In all, Carter proposed a \$52 billion increase in spending between 1980 and 1981. About \$37 billion of that will occur without the government lifting a finger — through largely uncontrollable outlays such as interest on the national debt and benefits to individuals that are heavily affected by inflation.

He proposed increases in spend-

ing above levels needed just to keep up with inflation in the areas of defense, energy, youth employment and subsidized housing for the poor.

The rest of the budget largely would be held level or reduced.

In the field of energy Carter proposed \$8 billion in spending an increase of \$400 million on already announced programs to reduce the nation's dependence on foreign oil, develop alternate sources of energy and encourage conservation.

He proposed shifting emphasis from constructing advanced nuclear power reactors to increasing efficiency and safety of existing ones.

The one major new domestic initiative contained in the budget is a proposed \$2 billion two-year program to provide employment training and basic education to help as many

as 500,000 disadvantaged youngsters become employable.

In other human resources programs, Carter proposed a 24 percent increase in subsidized housing and the same percentage increase in elementary and secondary education programs for the disadvantaged.

He proposed keeping the federal government's \$6.9 billion-a-year general revenue sharing program for state and local governments and creating two new programs, totaling \$1 billion in 1981, to provide fiscal aid to local governments to deal with the effects of rising unemployment.

To help spur the efficiency of the economy over the long run, a key part of reducing inflation, Carter proposed a three percent real increase in funds to support basic research.

The budget contains two main tax changes. One is Carter's proposed windfall profits tax designed to prevent oil companies from reaping unfair profits from decontrol of oil prices. Carter said this should bring the government a net \$13.9 billion in 1981.

The other, while not increasing corporate taxes, would require companies to send the government on a faster schedule the money they withhold in payroll taxes — a change which would increase 1981 receipts by \$4.5 billion.

As for a tax cut for individuals, Budget Director James McIntyre told reporters, "With inflation at double digits, with unemployment remaining fairly stable, it did not make sense to take an action which would stimulate the economy and exacerbate inflation."

Kennedy blasts Carter's policies; vows to continue presidential bid

WASHINGTON — Massachusetts Sen. Edward Kennedy, seeking to revitalize his slumping presidential campaign with a dramatic speech, Monday called for immediate gasoline rationing and price controls to halt inflation.

In a wide ranging response to President Carter's State of the Union address, Kennedy, at his speech at Georgetown University, said he opposed the administration's proposal for draft registration.

Kennedy also said that he opposes sanctions against Iran for holding American hostages because it will only "propel Iran toward the Soviet orbit."

Kennedy questioned whether the Soviet invasion of Afghanistan is the most serious threat to world peace since World War II, and while he said a strong response is warranted, he cautioned against policies which would permanently antagonize Russia.

Blasting what he called the failure of Carter, and calling him a Republican president who ran under the Democratic Party label, Kennedy

vowed to carry on his battle for the White House despite setbacks in the Iowa caucuses and a lack of campaign funds.

Kennedy's aides said he was reluctantly proposing gasoline rationing and wage and price controls because Carter's policies had so damaged the

economy that only such dramatic steps would halt inflation and end the nation's dependence on foreign oil.

"Inflation is out of control," he said. "There is only one recourse: the president should impose an immediate six-month freeze on inflation —

followed by mandatory controls as long as necessary — not only on price and wages, but also on profits, dividends, interest rates and rents."

Kennedy said only immediate gasoline rationing — that he said would reduce consumption by 24 percent — would "cure our addiction

for foreign oil."

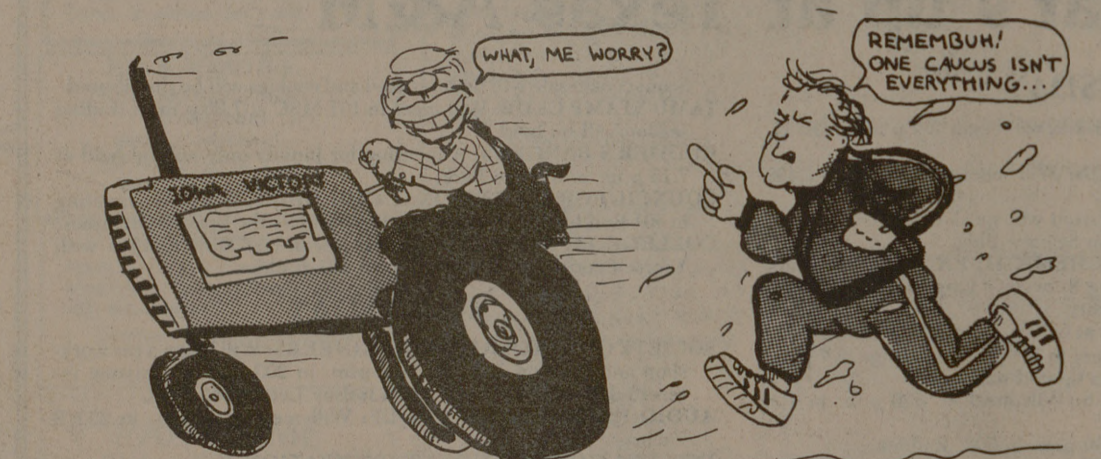
"Under a Democratic president we have had three more years of Republican inflation, three more years of Republican interest rates and three more years of Republican economics," Kennedy said.

On Carter's draft registration, Kennedy said, "I oppose registration when it only means reams of computer printouts that would be a paper curtain against Soviet troops."

He said registration would only save 13 days in event of a mobilization, and it would still take six months to train American troops.

He said Carter's failure to take strong action against Soviet troops in Cuba encouraged Russia to invade Afghanistan. He proposed a unified reaction against the Soviets with NATO and Japanese allies along with a strengthened American naval and air force presence in the area, and increased military, economic and political assistance to friendly Middle East nations.

In Iran, Kennedy said, it appeared Carter might be pursuing a policy "that seems headed for a situation of permanent hostages."



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Shell Oil reports profit up 38 percent from 1978 totals

HOUSTON — Riding a fourth quarter earnings surge, Shell Oil Co., Monday, announced 1979 profits of \$1.1 billion — 38 percent more than in 1978 — but an official said consumers should not assume Shell pocketed lots of excess cash.

"Profits don't buy as much as they used to," said Robert C. Thompson, Shell vice president of finance. "While net income has grown, so too has investment in our business."

"Without adequate profits we can neither provide enough of our own money nor can we attract the outside investment necessary to meet this country's energy needs."

Thompson said Shell netted 4.1 cents on each of the 24.4 billion gallons of refined product and natural gas converted to liquid equivalent it sold.

Shell's fourth quarter earnings were \$331 million — 72 percent higher than the \$192 million recorded in the fourth quarter of 1978. For 1979, earnings totaled \$1,126,000,000 — \$7.32 per share of stock on \$14,546,000,000 revenue.

Thompson said Shell spent \$2.4 billion on capital development in 1979, including \$1.7 billion for oil and gas exploration. Shell spent an additional \$3.6 billion to buy Belridge Petroleum Co., a California oil and gas firm.

He said Shell planned to spend \$2.6 billion on capital development in 1980 including \$1.9 billion to explore for oil and gas.

Thompson and Shell President John R. Bookout said Shell had no interest in acquiring non-energy companies as some other oil companies have done.

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