

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS
WASHINGTON, D.C. 20230

OFFICE
OF THE
SECRETARY

For Release at 2:30 P.M., October 19, 1977

Statement by Juanita M. Kreps, Secretary of Commerce, on
Third Quarter 1977 Gross National Product

The third quarter gross national product (GNP) numbers released today strongly suggest the need for further tax reduction. On average, the performance of the economy thus far in 1977 has been satisfactory, with real GNP growing at approximately a 6 percent annual rate, unemployment declining and no worsening of the inflation rate. But most of this progress occurred during the first half of the year. Economic growth slowed during the third quarter. This slowing would have been even more pronounced had it not been for the supportive effects of the Administration's special job-creation programs and of last June's personal withholding tax reductions. These special programs will help support economic growth through the middle of next year.

The Federal Government has a continuing responsibility to foster a climate in which strong growth of private consumption and business investment can occur. Growth of the vital two-thirds of the GNP which consists of personal consumption spending depends on growth of after-tax personal incomes. Without tax reductions, tax burdens will rise steadily as inflation pushes individuals into higher marginal tax brackets and as social security taxes increase.

Similarly, business tax reductions are needed to promote strong growth of business fixed investment.

The exact size and timing of future tax reductions, as well as other actions, properly remains a subject of study and discussion. Economic performance during the next few months will be watched carefully and will form the basis for developing specific policy proposals.

###