

THE WHITE HOUSE

WASHINGTON

May 27, 1975

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MEMORANDUM FOR: DON RUMSFELD

FROM: DICK CHENEY

SUBJECT: Decontrol of Oil Prices

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You should be aware of an option that Alan Greenspan and I have been kicking around on the question of decontrolling oil prices. You might want to mention it to the President so that no one inadvertently forecloses the possibility.

Existing price control authority for the Administration to control oil prices expires at the end of August. One way to decontrol oil prices rapidly is simply to veto the extension of that authority, if we can make the veto stick. We would have instantaneous decontrol.

The main argument against it would be the economic impact of that rapid run up in oil prices, but Alan Greenspan is of the option that it might not be all that severe. He has put some of his staff people in the CEA to work analyzing what would happen if we lifted all controls on old oil prices instantaneously rather than a phase-in period of a two or three year time frame.

The strategy would be roughly as follows. The President will impose the second dollar of the tariff tonight and presumably we will be able to sustain a Congressional effort to override his veto of the bill delaying the imposition of the tariff for ninety days.

Our theses is that once having made the second dollar stick and tried to negotiate a decontrol package with the Congress, which we probably will not be able to achieve given their current state of disarray, the President then would be in a position sometime in July, after they've passed the price control extension, to veto it and to indicate that if the veto is sustained, he would eliminate the two dollar tariff on imported oil.

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THE WHITE HOUSE
WASHINGTON

September 5, 1975

MEMORANDUM FOR: THE PRESIDENT

FROM: FRANK ZARB

SUBJECT: Suggested Language for the President's
Reaction to Action by Senate Democratic
Conference Related to Oil and Control

I was disappointed that the Senate Democratic Conference did not vote to accept a compromise program. Instead, they elected to again delay focusing on this difficult and important national issue.

I cannot allow this nation to continue to drift with indecision blocking the development of a firm energy program. This is particularly important at this time when producing nations are meeting to discuss increasing prices American consumers will have to pay for imported oil.

The only real opportunity for a compromise and progress is for the Congress to uphold my veto of legislation designed to delay facing up to difficult energy issues.

I believe there are enough Congressmen and Senators who feel as strongly as I do on this urgent matter to vote in favor of sustaining my veto.

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Cancelled per E.O. 12356, Sec. 1.3 and
Archivist's memo of March 16, 1983

By RAA NARS date 5/21/85

This in effect would give you the support of New England because they'd much rather have total decontrol of old oil prices because they don't get any old oil than two dollar tariff on imported oil. The vast bulk of their oil is, in fact, imported.

If you could put together the New England Delegations together with the oil state delegations and those conservative Republicans who would support the President, I believe it's entirely feasible that we could sustain a Presidential veto of price control authority on oil as long as it was geared to a commitment to remove the two dollars on tariff.

Keep in mind that any action on this matter probably would have to occur in July, since Congress plans to be out the month of August.

Alan has discussed the proposal privately with Frank Zarb and Frank seems to be inclined to think that it's certainly worth considering, although he's by no means committed to it at this stage.

I will continue to consider it only with Greenspan and Zarb and we will quietly have enough work done on it so that we can at least consider the option sometime in the next sixty days.

The important thing is that we not foreclose the possibility by some kind of public commitment by the President to sign an extension of the price control authority for oil.

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PRECEDENCE

CLASSIFICATION

FROM: DICK CHENEY
TO: DON RUMSFELD

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THE WHITE HOUSE
WASHINGTON

September 5, 1975

MEMORANDUM FOR DON RUMSFELD

FROM: DICK CHENEY



The attached is suggested language for the President to use in response to questions on the Senate Democrats refusal to compromise on the oil issue.

Zarb, Greenspan, Marsh, Friedersdorf and I have all signed off.

Attachment

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Archivist's memo of March 16, 1983

By DAD NARS date 5/21/85