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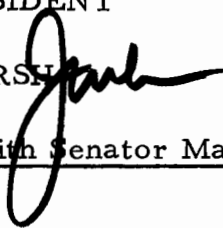
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THE WHITE HOUSE

WASHINGTON

August 29, 1975

MEMORANDUM FOR: THE PRESIDENT  
FROM: JACK MARSH   
SUBJECT: Meeting with Senator Mansfield

You have been furnished with a background paper on your meeting with Senator Mansfield. I would suggest you consider the following additional points:

1. If you did not have a chance to thank him in Libby, Montana, you might wish to express your appreciation for what he did on the Turkish aid matter.
2. Advise him of your interest in the report which he gave to you on his trip, particularly on Portugal's situation.
3. Point out that at the Leadership Meeting next week you are going to call on Congressional leaders, such as himself, to report on their observations based on their trips and that you plan to ask him to make a report to the group.
4. Point out that you appreciate the letter which he sent to you on the energy situation at the close of the session and that you had not responded to it because you wanted to talk with him personally. A copy of the letter is attached to your background paper.
5. In addition to the letter he wrote to you on energy, there is attached a copy of the Curtis telegram should you wish to make reference to it.

*Handwritten notes:*  
1/2  
9/2/75

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THE WHITE HOUSE  
WASHINGTON

JC

1st step would seem to be to have Friedersdorf's office acknowledge in usual way; and then it should go to Zarb(?) for substantive reply.

E.

8/5

MEETING WITH  
MIKE MANSFIELD

Friday, August 29, 1975

12:00 P. M.

THE PRESIDENT HAS SEEN.....

THE PRESIDENT HAS SEEN....

THE WHITE HOUSE

WASHINGTON

August 28, 1975

MEETING WITH SENATOR MIKE MANSFIELD (D-MONT.)

Friday, August 29, 1975

12:00 Noon (30 Minutes)

The Oval Office

Thru: Jack Marsh

From: Patrick O'Donnell



I. PURPOSE

To discuss possible compromise on S. 1849, the simple 6-month extension of legislation controlling domestic oil prices.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: Senator Mansfield called yesterday to request this meeting to explore possible alternatives which might avoid the impending veto confrontation "with a little honor on both sides."

The Senator has not shared any specific thoughts he might want to discuss but during the conversation he may bring up Senator Glenn's proposed compromise on natural gas (TAB A). The Senator has been urgently contacting other members around the country in an attempt to garner support in immediately pushing the proposal through the Congress as an emergency measure.

B. Participants:

The President  
Senator Mansfield  
Frank Zarb  
Jack Marsh  
Max Friedersdorf

C. Press Plan: White House Photo

III. TALKING POINTS

1. Mike, welcome back to Washington; we certainly have our work cut out for us. I enjoyed seeing you at the Libby Dam event last week and hearing that your around-the-world trip was quite successful. I'm hoping you might be willing to share your experiences and observations with a bi-partisan leadership meeting I intend to hold next week. Incidentally, thank you very much for forwarding your thoughtful assessment of the current situation in Portugal (TAB B).
2. As you know, I'm committed to vetoing S. 1849, which would extend price controls for 6 months.
3. We have bent every effort to work out a meaningful compromise with the Congress, first with a 30-month phased-in decontrol plan and, when that was rejected, with a 39-month program for decontrol. I simply do not understand why the Congress has refused to face the fact of life that the age of plentiful and cheap energy is over.
4. I'm delighted to discuss any possible alternatives which will preclude the impending confrontation with, as you put it, "a little honor on both sides." I'm anxious to hear your views on this subject.
5. Mike, no matter what happens, I would urge you to call the matter up for a vote at the earliest possible time. I think you will agree that the American people deserve to have this issue resolved with all due haste.
6. Incidentally, I have reviewed Senator Glenn's letter on the natural gas problem and agree in large part with its thrust, subject to one major caveat -- I cannot support any effort which would result in the allocation of natural gas.

TAB

B

~~CONFIDENTIAL~~INFORMATION

## MEMORANDUM FOR THE PRESIDENT

**FROM:** Henry A. Kissinger

**SUBJECT:** Report from Senator Mike Mansfield  
Concerning the Situation in Portugal

Senator Mike Mansfield recently wrote you (correspondence at Tab A) expressing his views on the current situation in Portugal based on his visit to that country during the August Congressional recess. You may wish to express your appreciation during your August 29 meeting with the Senator.

The main points of the Senator's report are that:

-- Any expectation of an easy transition to representative civilian government in Portugal would be unrealistic given the fact that the country has only recently emerged from 40 years of repressive rule.

-- The communists are exerting an influence disproportionate to their numbers. This is unfortunate but not surprising. The communists tend to work harder and maintain tighter discipline.

-- The revolution began as a revolt within the military. The revolution remains under the control of the military. Barring large scale intervention from the outside, it will evolve only in ways tolerable to the military.

-- Unless the various political factions can resolve their struggles by producing a viable civilian structure in the near future, the Portuguese people will lose patience with the "new politics".

-- Our policies toward Portugal should derive from our national interests, not our own ideological predilections.

~~CONFIDENTIAL~~

DECLASSIFIED

E.O. 13526 (as amended) SEC 3.3  
NSC Memo, 3/30/06, State Dept. Guidelines  
By MLC NARA, Date 8/23/2012





~~CONFIDENTIAL~~

- 2 -

-- In economic and security terms, Portugal may be far more important to Western Europe than to the United States. Their stake in Portugal is far greater than our own.

-- Our withdrawal or ejection from Portugal and the Azores would not necessarily be catastrophic for NATO or the United States. We have survived worse problems with France, Greece and Turkey.

-- We should maintain a very "cool" approach to Portugal in a situation whose alarmist aspects could well be over-stated.

The Senator's report on Portugal is forwarded for your information.

GFlynn:aw:8/28/75

~~CONFIDENTIAL~~



United States Senate  
Office of the Majority Leader  
Washington, D.C. 20510

August 22, 1975

TO : The President  
FROM : Mike Mansfield  
SUBJECT: Observations on the Portuguese Situation--Estimate of the Military-Political Situation.

The first point to underscore in the Portuguese situation is that the people have only recently emerged from 40-odd years of political repression and authoritarian military rule. Any expectation of a facile transition to representative civilian political practices, given the best of circumstances and the most dispassionate of peoples, would be unrealistic. In Portugal, the national condition is not the best and the people are far from dispassionate.

When the lid blew on the Salazar structure, as it passed to General Caetano, an immense amount of political debris was released. The complex effort to sort out this debris and to form it into a new viable political pattern is what is going on in Portugal today. That is a far cry from the simplistic Communist-Freedom juxtaposition which is being set forth in some quarters as a basis for coping with the situation. There are many facets to the situation and if we seek to reduce them only to two--Communist and anti-Communist--we are going to see not with clarity but with detriment to our own interests.

The ultimate authority in the process of developing a new viable political structure remains the military. It, too, is divided into various segments. Nevertheless, as a group, it has the experience of working in a disciplined fashion. Elements of the military other than those which have



heretofore exercised authority in Portugal are in the driver's seat at the present time. The new leadership consists of younger officers who until very recently were in the middle and even lower grades. As such they shared few of the privileges enjoyed by their superiors in the Salazar-Caetano period. Yet, they bore the brunt of the anguish and attrition which resulted from the political bumbling and the catastrophic delay of the Salazar government in facing up to the transition in the Portuguese African colonies. It is 30 years since the British resolved a similar problem and about 20 since the French did so. Not until Salazar's death did the Portuguese even recognize the inevitable. The cost in lives and resources was enormous.

The stagnation of a long-entrenched military-political system pursuing a hopeless colonial war would have been enough to produce upheaval in Portugal. Add to this factor, an atrophied rural life heavily weighted by one of the most conservative wings of the Catholic church. Add to it, too, the indignation of an emotional people on discovering at long last, with the passing of Salazar, that the absence of a political life for so many years was not preordained. In these circumstances, a period of widespread political turbulence was to be expected. Nor is it likely that a new political order will be established very quickly. Indeed, the Portuguese will be very lucky if they avoid in the interim a full-scale civil war. If there is any universal Western concern with this situation, it should be to try to minimize the likelihood of such a disastrous conflict.

The Portuguese military leadership, which has been at the center of the storm, has not sought to monopolize the upheaval. Perhaps that is because it could not do otherwise. Some might also say it is due to political naivete.



However that may be, from the point of view of freedom, it is to the military's credit that they have encouraged the participation of political elements in the groping for a new sense of political direction. Indeed, "a hundred flowers have bloomed" in Portuguese political life.

Among these flowers there are some bizarre varieties. There are some strong-armers notably in the North and probably in the Azores, reminiscent of Mussolini's early cohorts. Among them, too, there are militant Communists. There is no doubt, moreover, that the Communists are exerting an influence disproportionate to their numbers in the evolution of the new order in Portugal by placement inside the government and in other strategic spots. That is unfortunate but it ought not to be surprising. Communists tend to work harder at the business and to maintain a tighter discipline. That might make them seem attractive allies to some military leaders. The Communists may also be receiving financial contributions from outside, although the Embassy has very little of a specific nature on these reports. What they have suggests that the amounts that have been supplied to date are nowhere near as large as some of the publicly reported figures which run as high as \$10 million.

To reiterate, however, Communist activity or, for that matter that of any political group, is dependent on the tolerance of the military leaders. That point cannot be stressed too strongly. The revolution began as a revolt within the military. The revolution remains under the control of the military. Barring large scale intervention from outside, it will evolve only in ways which are tolerable to the military. In this connection, it would be wise to refrain from labeling any of the leading figures in the military hierarchy as left, right, pro-Communist or anti-. The reasonably safe assumption for all of the



military leaders is that they are going to be pro-military. They will work with those civilians whom they regard, as they regard themselves, as working for the well-being and honor of Portugal. Whatever emerges in the end from the present situation, whatever the government, it is going to be one which is in accord with what the military believes is acceptable and is best for Portugal.

It is also reasonable to expect that unless the various political factions can resolve their struggles for factional power into a viable civilian political structure in the not too distant future, the Portuguese people will lose patience with the "new politics," and its various civilian protagonists. The initial signs, in this connection, are beginning to appear. It may well be that the people will yearn, again, for order and welcome a far more direct assertion of power by the military. The military authorities may then settle on one among themselves to be the personification of that authority. If that happens, with or without civil war, Portugal is likely to witness the emergence of a new military authoritarianism. It would not equate with the Salazar-Caetano period. There can be no turning back the clock. Real economic and social problems exist in Portugal, especially in the wake of the dissolution of the colonial empire. Any governing authority must deal with these problems or face national chaos and disenchantment.

A new military authority is likely to be young, vigorous, business-like and passionately nationalist in its dedication--at least at first. It may even, with the aid of civilian technicians and infusions of aid from outside, provide tolerably good public administration. Regrettably, it will also mean the end of the bright promise of a free and responsive political system in this small



piece of the Iberian Peninsula. That is a setback for freedom, no matter how it may seem at the outset.

### U. S. Policies

Our policies in the Portuguese situation should derive from our national interests, not our ideological predilections, except to the extent that we refrain from impeding the emergence of free civilian institutions anywhere. On close examination, then, our interests are not as extensive as one would be led to expect from the amount of press coverage which has been given to the minutiae of Portuguese political developments.

To provide some sense of proportion, it would be well to bear in mind that Portugal is of considerably greater significance to Western Europe than it is to this nation. In an economic sense, our investments in Portugal and even our trade are but a fraction of those of the Western Europeans. If we find it abhorrent to contemplate the appearance of a Communist regime across the ocean, what of Spain and the other Europeans to whom it would be a next door neighbor? As for NATO one must assume that the organization is at least as important to the Europeans as it is to us although their indifference to its needs suggests, sometimes, the contrary. To be sure, a "Communist enemy" nation in the ranks of NATO is an appalling thought. But even if Portugal "went Communist," and that required the withdrawal or ejection of Portugal, would that necessarily mean the demise of NATO? After all, NATO has weathered the far more significant deactivation of French participation. NATO has also seen, without falling apart, the Eastern line of defense reduced to something approaching irrelevance



because of the Cyprus dispute. It has also managed to function without Spanish membership since the outset. There are some who are aghast at the administrative nightmare of trying to operate NATO with a member state in which Communists hold some positions in a coalition government. That may be a bureaucratic embarrassment but it hardly constitutes a cause for panic. Indeed, a modus vivendi has already been found for that contingency in the case of Portugal.

Beyond limited economic interests and a possible concern for NATO embarrassment, what else is there of fundamental interest to this nation? As a practical matter, there is only the U. S. base in the Azores at Lajes. As of now, there has been no interference with U. S. operations there, notwithstanding the fact that the lease has expired. Nor is there any indication of a determination in Lisbon to ask us to leave as is legally within Portugal's right. In short, either because of pre-occupation with other questions or because the present authorities in Lisbon have no objection to our remaining, there is no immediate need to deal with the base problem. Certainly there is no need to contemplate supporting an Azores "separatist movement" of obscure origin as a way of preserving our occupancy. If such a movement were to succeed and if by chance it happened to be pro-American and disposed to ask us to stay at the base in return for help, all we would gain by it over what we now have would be one more expensive dependent "independent nation" since the islands are in no way self-supporting.

The fact that there is no immediate challenge to the Azores base affords us a good opportunity for a prompt examination of the purported "vital necessity" of this installation. It is not cheap to operate in the Azores in any event and all overseas bases are not, ipso facto, "vital" or even necessary



to U. S. interests. Indeed, it would seem to me most desirable to examine very closely the cost-effectiveness of any overseas installation, especially one which may be conceivably jeopardized by political developments before rather than after the fact. Moreover, in particular need of examination at this time, in my judgment, are those bases which are justified preponderantly in terms of relevance to the supply of Israel. That is a chief justification which I found to be advanced not only in regard to the Azores base but, also, with regard to bases in Thailand and the Philippines and wherever else in the world I made inquiry. If all these bases were used simultaneously for this purpose, Israel might well collapse of the weight of materiel which could pour into that country. "Israel-supply" seems to have become something of a bureaucratic gimmick with regard to base-justification abroad. There are many routes to Israel and the costs of alternatives should be measured against the cost of maintaining a base such as that in the Azores "at all costs."

To sum up, the need in Portugal, as I see it, is to keep a very cool approach in a situation whose alarmist aspects could well be over-stated. One cannot be sure what will emerge in the end. One can be sure, however, that if Portugal collapses in a civil war in the Spanish pattern, it will split the politics of every Western European country wide-open in ideological division. What then of NATO's fate?

It is well to note that the Soviet Union has not been ostentatiously conspicuous in the Portuguese situation and that the Chinese are steering clear of it entirely. We would be well-advised to follow suit. Indeed, we should restrain any tendency to label personages and developments in the glib and





confusing shorthand of ideological confrontation. "Lefist," "rightist," "Maoist," "to the left of the Communists" are inexact and migratory terms at best. In a situation such as exists in Portugal, where they are freely used, they may be subject to sudden and unexpected twists and turns which could lead to our entrapment in rigid and undesirable commitments.

As for situations such as Portugal in which our own national concerns, whether economic or defensive, are less than those of the Western Europeans, we would be well-advised to let the latter take the lead. Their stake in Portugal, as noted, is far greater than our own.

Insofar as the Azores military base is concerned, we ought now to have an impartial evaluation made of its cost-effectiveness in comparison with other available bases and techniques for fulfilling identical missions. The Azores installation may well prove to be more costly and even redundant. Certainly, it seems to me eminently desirable in our national interests to avoid involvement in separatist developments anywhere in Portugal, including the Azores. In the latter case, we could wind up with one more costly, continuing direct military responsibility. We are already extended in that fashion more than 3,500 miles across the Pacific from Hawaii. It is difficult to see in what way a new direct commitment 2,500 miles out into the Atlantic from the East coast will serve the interests of the people of the United States.



TAB

A

Date: August 26, 1975

Time:

FOR ACTION:

cc (for information):

- Max Friedersdorf ✓
- Jack Marsh
- Paul Theis

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, August 27

Time: 12 Noon

SUBJECT:

Proposed Letters on Energy Issues to  
Thomas P. O'Neill Jr. and Mike Mansfield

ACTION REQUESTED:

- |   |  |
|---|--|
| <input type="checkbox"/> For Necessary Action         | <input checked="" type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief     | <input type="checkbox"/> Draft Reply                         |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks                       |

REMARKS:

8/26 - Friedersdorf approves d/tr.

Mr Marsh said to hold response until after Mansfield meeting (9/29) as there could be changes.

Letter to Mansfield send  
9/10/75

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor  
For the President

Dear Mike:

Thank you for your letters of August 1 and August 29 in reference to the status of the energy situation. I read and studied both of these very carefully.

Inasmuch as you and I have had an opportunity to meet and discuss the subject matter contained in these letters, I did not respond to you by letter on the same.

It is my hope that the discussions that we have had and will be having on this in the immediate future will enable us to work out a satisfactory arrangement on this matter.

With kindest regards, I am,

The Honorable Mike Mansfield  
Majority Leader  
United States Senate  
Washington, D.C. 20510

GRF:jem

Congress of the United States  
House of Representatives

OFFICE OF MAJORITY LEADER

WASHINGTON, D.C. 20515

OFFICIAL BUSINESS

The President  
The White House  
Washington, D. C. 20005

*Thomas P O'Neill Jr.*  
M. C.

WHITE HOUSE MAIL  
RECEPTION & SECURITY

MAY 5 1975

Processed by:

Honorable Thomas P. O'Neill, Jr.  
Majority Leader  
House of Representatives  
Washington, D.C. 20515

Dear Tip:

Thank you for writing about the all-important energy pricing issue. I reviewed your thoughts and carefully considered them in making a final determination regarding the extension of the Emergency Petroleum Allocation Act.

To have extended the Allocation Act for another six months after almost eight months of inaction on oil prices would have maintained our growing dependence upon foreign oil. By ending price controls, as I announced I would do by vetoing S.1849, we can cut our growing demand, stimulate domestic production and reduce imports by 800,000 barrels per day by 1977. If my veto is sustained I will remove the supplemental import fees on crude oil and product, and cushion the rise in petroleum prices to about only three cents per gallon. If my proposed windfall profits tax and consumer rebates are enacted, the effect of these actions will not hinder our economic recovery and most importantly it will be the first step towards energy independence.

As your letter indicated, the oil price question is only one of many being considered by the Congress. I urge your cooperation on such legislation as development of the Naval Petroleum Reserves, strategic storage, thermal efficiency standards, and realistic Clean Air Act amendments.

I have directed FEA Administrator Frank Zarb to continue to work closely with you to arrive at a comprehensive national energy policy.

Sincerely,

Gerald R. Ford

4 THOMAS P. O'NEILL, JR.  
MASSACHUSETTS  
MAJORITY LEADER

Sept 5 1849

Congress of the United States  
House of Representatives  
Office of the Majority Leader  
Washington, D.C. 20515

4 August 1975

The President  
The White House  
Washington, D. C.

Dear Mr. President:

me

Now that you are back from Europe, I know that you will be turning your attention to the all important energy issue. We have talked about this issue in the past and I am familiar with your views. I agree with you that the nation must get its energy house in order. If we are to restore our economy and our position in the world, Congress and the Administration must find a way to compromise their differences over the means for dealing with energy issues.

A stalemate now appears to exist between the Administration and the Congress. Should you veto S.1849, the six-month extension of the Emergency Petroleum Allocation Act, a serious confrontation would follow. Economic recovery would be threatened and future cooperation with Congress would be even more difficult - if not impossible. If this confrontation can be avoided, I think that the Congressional Majority, meeting the challenge of putting together an alternative to the Administration's energy program, will be ready for real negotiation and compromise.

A fair reading of the record of this Congress on energy demonstrates that in only one quarter of a term it has hammered out a record number of important pieces of energy legislation, which will go to House-Senate Conference in September. Issues covered by both House and Senate passed legislation will include:

- Strategic energy storage.
- Oil reserve development.
- Auto fuel efficiency standards.
- Industrial fuel efficiency standards.
- Standby emergency powers in case of a renewed embargo, and others.



These are key pieces of any broad energy program. One billion barrels of emergency storage is the equivalent of six-months' total imports, and more than one year's imports from the Arabs.

Similarly, increased auto and industrial fuel efficiency standards, if diligently developed and administered, would save more energy than would any reasonable increase in oil prices. European nations lower gasoline consumption levels by selling gasoline for \$1.50 to over \$2.00 per gallon, prices which are unthinkable here. Clearly, conservation legislation like that now going to Conference is a better answer.

I believe that the Congress can get together with you on these issues, and on price issues as well, this fall. In addition, I understand that there may be natural gas and energy tax measures which might be part of a larger energy policy compromise.

I urge you, therefore, to sign the extension of the Emergency Petroleum Allocation Act which the Congress has adopted. Extension of the EPAA continues very high prices for new oil, contrary to the wishes of the Congressional Majority, and controlled prices for old oil, which the Administration has opposed. But, I would hope that the Administration would prefer the extension to political confrontation and economic devastation which would follow a veto.

With every good wish,

Sincerely,

*Tip*

Thomas P. O'Neill, Jr.

Honorable Mike Mansfield  
United States Senate  
Washington, D.C. 20510

Dear Mike:

Thank you for your letter concerning the decontrol of old oil prices and the extension of the Emergency Petroleum Allocation Act (EPAA). I appreciate your thoughts and assure you that they were carefully considered in making my decision to veto the EPAA extension.

The decision to veto the EPAA was made after evaluating the economic and energy impacts of such an action and in conjunction with removal of the special import fees I imposed earlier this year. As a result of the import fee removal and decontrol, the average petroleum product should rise by no more than three cents per gallon and should have a very small impact on our economic recovery. Nevertheless, these actions should reduce our imports by about 800,000 barrels per day by 1977.

I agree that we have improved our understanding of energy in the last eight months, but I cannot sign an extension of the Allocation Act and allow another six months to elapse on the important issue of oil pricing.

I believe that the actions I have taken can reduce our vulnerability to coercion without hindering our economic recovery. I ask your help in passing a windfall profits tax and rebates to consumers to further cushion the effects of decontrol and look forward to working closely with you as we forge the rest of a national energy policy.

I have directed FEA Administrator Frank Zarb to continue his efforts with you to develop an acceptable solution to our energy problem.

Sincerely,

Gerald R. Ford

# THE PRESIDENT HAS SEEN.....

## THE ENERGY ALLOCATION ACT SHOULD BE EXTENDED

1. The Congress and the Administration can produce a reasonable solution to the oil price question which includes an orderly phase-out of controls and far less disruption to the economy than would occur from total and abrupt decontrol.
2. Total decontrol with the ripple effect means a return to double-digit inflation with higher costs for food, gasoline, clothing, air transportation, medical costs, home heating oil, etc.
3. Total decontrol means a return to 9 percent unemployment and, very likely, double digits.
4. Total decontrol means a budget deficit even larger than now projected.
5. Total decontrol falls hardest on the poor, the unemployed -- those least able to bear the burden.
6. There are no mitigating measures
  - no windfall profits taxes
  - no tax cuts or rebates
  - no competitive protections for small, independent producerswho will be driven out of the market.
7. OPEC intends to raise prices - it meets September 23 - thus creating even greater disruption to the economy.

Note: For details see "No. II"

THE NATIONAL INTEREST WOULD BEST BE SERVED BY EXTENDING THE  
EMERGENCY PETROLEUM ALLOCATION ACT

1. Virtually all economists agree that if the Petroleum Allocation Act is not extended, it means chaos and disruption to the economy.

- (a) Even without the \$2 per barrel tariff on imported oil, oil decontrol will directly inflate oil prices by \$13 billion annually.
- (b) The multiplier and ripple effect could cause between \$20 and \$30 billion in inflationary impact on the economy.
- (c) The stimulus of the tax cut would be wiped out.
- (d) It will drain consumer spending power for all other goods and services and will badly hurt economic recovery.

As Examples: The costs of propane, of fertilizers, of air transportation, of auto transportation, of synthetic fibers will all increase.

2. OPEC is scheduled to meet September 23 to discuss increases.

- (a) A \$1.50 per barrel OPEC increase will add another \$8 to \$10 billion annually to inflation - further increasing the costs of all goods and services dependent upon petroleum and its by-products.
- (b) Domestic decontrol of oil prices signals OPEC that high prices are o.k. Decontrolling domestic prices and removal of the tariff provides OPEC with an opportunity to increase their prices by \$2 and claim they are not increasing the total price for the United States consumers.
- (c) In the absence of domestic controls, any increase posted by

OPEC may be quickly followed by increases in domestic prices as well. Veto of the Petroleum Allocation Act removes the FEA's authority to establish domestic oil prices and effectively substitutes OPEC price control over domestic energy.

(d) Steeply higher petroleum prices will reduce the demand for all other goods and services. As a consequence, the impact on employment has been estimated to be a loss of up to 500,000 jobs. The transportation industry, food producers, medical services, universities that can't pass on costs, and many other sectors will be especially hard hit.

3. Winter is approaching. The loss of petroleum allocation authority will severely impact the nation this winter.

(a) With the expiration of allocation authority, controls over propane will lapse. Propane prices to farmers and rural residents will steeply rise and supplies of propane will be very tight to household consumers. Without allocation, utilities and large industrial users that are experiencing natural gas curtailments will monopolize available supplies.

(b) With projected shortages of natural gas, it is imperative to have a petroleum allocation program in place to assure that alternative fuel supplies are made available to curtailed gas customers. This will help minimize the number of plant closings due to fuel shortages.

(c) The availability of oil products to sparsely settled sections of the country will be endangered in the absence of a mandatory

petroleum allocation program.

(d) In the event of a severe winter, or in case of a future oil embargo, it is essential that the machinery for allocating petroleum products be continually in place.

4. There are no measures on the books that would mitigate the adverse impact of total/abrupt decontrol.

(a) Congress has not passed windfall profits taxes.

(b) Congress has not passed further tax cuts to alleviate the consumer's burden.

(c) There are no protections for small independent producers.

5. The termination of the Emergency Petroleum Allocation Act threatens to severely reduce competition in the petroleum industry.

(a) Elimination of controls will mean that many independent refiners will be squeezed out of business because major integrated petroleum companies will have access to much lower cost crude oil. The old oil will not go up in cost to the integrated producer, but only to the independent purchasers.

(b) Elimination of controls will mean the independent service station operators will be further squeezed out of business because of the cost and supply advantages that will accrue to the major integrated petroleum companies.

6. There is already evidence of the damage to the economy of decontrol.

(a) Many petroleum companies have already substantially increased their prices in recent months by passing through costs.

(b) This has created much greater public hostility to even further price increases.

(c) The most recent reports on inflation indicate that food and fuel prices are again causing rapid inflation throughout the economy. To prevent this cycle from getting out of hand, it is imperative that oil prices be controlled.

(d) Even the petroleum industry no longer speaks with one voice. The Mobil Oil Corporation, in a letter to the members of the Senate dated August 22, 1975, calls for phased decontrol of oil prices over an extended period of time and indicates that immediate decontrol as would occur with the expiration of the Emergency Petroleum Allocation Act "might cause a shock to America's fragile economic recovery."

(e) Arthur Burns has indicated that oil price decontrol may result in a 2-percent increase in inflation, substantially more than the Administration's estimate. All of these factors may shift the balance in favor of overriding the President's veto.

7. A veto will hurt the chances for enacting a national energy program. A veto at this time means a total commitment to sky-high prices by the President. Signing the bill provides the opportunity for a compromise (simply because it is only a six-month extension). The House is currently considering H.R. 7014, which is scheduled to be completed on an urgent basis. To that measure can be added the product of any compromise worked out between the Congress and the Administration.



SETTLING THE OIL PRICE ISSUE WITH A PROGRAM OF GRADUAL DECONTROL IS POSSIBLE.  
IT COULD BE ENACTED WITHIN 30 DAYS.

I. Only a short time is needed to settle the decontrol issue.

The House voted 228 to 189 on the President's proposal to phase out controls over a 39-month period. A needed switch of 20 members indicates that the two branches are coming closer to settling the oil price issue. In the national interest this effort must be continued to avoid the economic disruption of total and abrupt decontrol and to prevent the OPEC cartel from setting oil price policy for the nation. A phase-out over what period of time and to what price lid are issues that can be resolved.

It is reasonable to propose that the matter can be settled within 30 days. But time is needed.

If signed into law and not vetoed, S. 1849 would provide the time. It would extend current controls for six months. Six months may be too long. But the two Houses could act on a measure for an orderly, less-disruptive phase-out well within the next 30 days. When it returns on Wednesday, the House will have under consideration H.R. 7014, the energy bill to which a phase-out program could be added. For its part, the Senate could consider a phase-out proposal well within the next 30 days and the Leadership is willing to commit the Senate to that undertaking.

The alternative of veto (unless overridden) provides no time for cooperation and compromise. This alternative moves the nation into total and abrupt decontrol on Labor Day. OPEC meets in three weeks and oil prices then and thereafter would be dictated by the OPEC cartel. In 30 days, Congress and the Executive together can settle on an oil price policy for American

consumers. The veto alternative would vest the OPEC cartel with this power.

II. Time is needed to act on other essential measures related to decontrol.

Gradual decontrol is part of a comprehensive program requiring other legislative action. Time is required to enact these proposals needed to offset the adversity of decontrol.

Only if S. 1849 is not vetoed would Congress have the time -- the opportunity to enact other essential elements of the President's program which complement decontrol and provide protection for consumers and the economy.

These include windfall profits taxes, tax rebates/cuts and the preservation of competition (protection for small, independent producers from predatory practices by large companies).

None of these measures are now on the books. They too could be considered and disposed of within 30 days.

August 26, 1975

Frank Zarb, Administrator  
Federal Energy Administration  
New Post Office Building  
12th & Pennsylvania, N.W.  
Washington, D.C. 20461

Dear Frank:

As per your request, I am glad to list the items we discussed, which I feel may give us some chance of averting an employment disaster in Ohio and other affected states this coming winter due to the natural gas shortage.

Of the 14 or 15 States that will be seriously affected by projected natural gas curtailments this coming winter, Ohio will be one of the hardest hit with 60% natural gas cutbacks through a good part of Ohio's industrial area forecast to result in 40-60,000 jobs lost. Obviously, the rate of recovery from the recession and severity of winter weather make that unemployment figure difficult to project.

Legislation which I may introduce will not try to deal in any way with the long-term aspects of natural gas production, pricing, conservation, etc., but will deal with the developing emergency situation, this winter. Further, it would apply only to areas or particular businesses or industries designated specifically by FEA as emergency situations.

I feel FEA (rather than FPC) should have the authorities listed below because any action to be effective this winter will necessarily require transfers of energy, with FEA being the agency most cognizant of all energy supplies and distribution patterns.

Additional proposals may be added, and I have not decided for certain exactly what procedure we will use for the legislation, but believe any effective legislation must include the following:

1. Authority to transfer supplies of natural gas from any pipeline system to any other pipeline system;
2. Intra-state shippers of natural gas should be able to use inter-state lines without the gas falling under the lower price ceilings mandated by FPC for usual use of inter-state lines;
3. Where possible, gas from federal lands should be required to be produced at maximum efficient rate (MER) production;
4. Authority for mandatory conversion, substituting one fuel type for another, the objective being release of as much natural gas as possible;
5. End-users of inter-state gas could go to the source and buy at intra-state prices and contract with pipelines for gas shipment. Inter-state pipeline companies could also purchase at such prices. Authority for such individual purchases would need prior FEA approval on the basis of the priority of end-use.
6. Authority to mandate electric power companies to purchase from neighboring electrical systems where such excess capacity was available and where such purchase might provide substantial savings of natural gas.

Let me stress again that this bill would be of one-year duration to get us through the critical period of this winter and would be used in emergency situations only.

Frank Zarb  
Page Two  
August 26, 1975

I will look forward to any comments you may have on the above, as well as additional ideas that may provide legislation to avert what can be a disastrous situation this winter.

Best regards.

Sincerely,

John Glenn  
United States Senator

JG/klp

HIGH PRIORITY

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 26, 1975

Time:

FOR ACTION:

cc (for information):

Max Friedersdorf  
Jack Marsh  
Paul Theis

FROM THE STAFF SECRETARY

---

DUE: Date: Wednesday, August 27

Time: 12 Noon

---

SUBJECT:

Proposed Letters on Energy Issues to  
Thomas P. O'Neill Jr. and Mike Mansfield

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply


For Your Comments

Draft Remarks

REMARKS:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

  
Jim Connor  
For the President

PASTERNAK: 8/20/75:961-6187

Honorable Thomas P. O'Neill, Jr.  
Majority Leader  
House of Representatives  
Washington, D.C. 20515

Dear Tip:

Thank you for writing about the all-important energy pricing issue. I reviewed your thoughts and carefully considered them in making a final determination regarding the extension of the Emergency Petroleum Allocation Act.

To have extended the Allocation Act for another six months after almost eight months of inaction on oil prices would have maintained our growing dependence upon foreign oil. By ending price controls, as I announced I would do by vetoing S.1849, we can cut our growing demand, stimulate domestic production and reduce imports by 800,000 barrels per day by 1977. If my veto is sustained I will remove the supplemental import fees on crude oil and product, and cushion the rise in petroleum prices to about only three cents per gallon. If my proposed windfall profits tax and consumer rebates are enacted, the effect of these actions will not hinder our economic recovery and most importantly it will be the first step towards energy independence.

As your letter indicated, the oil price question is only  
one of many being considered by the Congress. I urge your  
cooperation on such legislation as development of the Naval  
Petroleum Reserves, strategic storage, thermal efficiency  
standards, and realistic Clean Air Act amendments.

I have directed FEA Administrator Frank Zarb to continue to  
work closely with you to arrive at a comprehensive national  
energy policy.

Sincerely,

Gerald R. Ford



4 THOMAS P. O'NEILL, JR.

MASSACHUSETTS  
MAJORITY LEADER

*Sept 5 1849*

*8-5*

Congress of the United States  
House of Representatives  
Office of the Majority Leader  
Washington, D.C. 20515

4 August 1975

The President  
The White House  
Washington, D. C.

Dear Mr. President:

*ms*  
Now that you are back from Europe, I know that you will be turning your attention to the all important energy issue. We have talked about this issue in the past and I am familiar with your views. I agree with you that the nation must get its energy house in order. If we are to restore our economy and our position in the world, Congress and the Administration must find a way to compromise their differences over the means for dealing with energy issues.

A stalemate now appears to exist between the Administration and the Congress. Should you veto S.1849, the six-month extension of the Emergency Petroleum Allocation Act, a serious confrontation would follow. Economic recovery would be threatened and future cooperation with Congress would be even more difficult - if not impossible. If this confrontation can be avoided, I think that the Congressional Majority, meeting the challenge of putting together an alternative to the Administration's energy program, will be ready for real negotiation and compromise.

A fair reading of the record of this Congress on energy demonstrates that in only one quarter of a term it has hammered out a record number of important pieces of energy legislation, which will go to House-Senate Conference in September. Issues covered by both House and Senate passed legislation will include:

- Strategic energy storage.
- Oil reserve development.
- Auto fuel efficiency standards.
- Industrial fuel efficiency standards.
- Standby emergency powers in case of a renewed embargo, and others.

These are key pieces of any broad energy program. One billion barrels of emergency storage is the equivalent of six-months' total imports, and more than one year's imports from the Arabs.

Similarly, increased auto and industrial fuel efficiency standards, if diligently developed and administered, would save more energy than would any reasonable increase in oil prices. European nations lower gasoline consumption levels by selling gasoline for \$1.50 to over \$2.00 per gallon, prices which are unthinkable here. Clearly, conservation legislation like that now going to Conference is a better answer.

I believe that the Congress can get together with you on these issues, and on price issues as well, this fall. In addition, I understand that there may be natural gas and energy tax measures which might be part of a larger energy policy compromise.

I urge you, therefore, to sign the extension of the Emergency Petroleum Allocation Act which the Congress has adopted. Extension of the EPAA continues very high prices for new oil, contrary to the wishes of the Congressional Majority, and controlled prices for old oil, which the Administration has opposed. But, I would hope that the Administration would prefer the extension to political confrontation and economic devastation which would follow a veto.

With every good wish,

Sincerely,



Thomas P. O'Neill, Jr.

PASTERNAK: 8/20/75: 961-6187

Honorable Mike Mansfield  
United States Senate  
Washington, D.C. 20510

Dear Mike:

Thank you for your letter concerning the decontrol of old oil prices and the extension of the Emergency Petroleum Allocation Act (EPAA). I appreciate your thoughts and assure you that they were carefully considered in making my decision to veto the EPAA extension.

The decision to veto the EPAA was made after evaluating the economic and energy impacts of such an action and in conjunction with removal of the special import fees I imposed earlier this year. As a result of the import fee removal and decontrol, the average petroleum product should rise by no more than three cents per gallon and should have a very small impact on our economic recovery. Nevertheless, these actions should reduce our imports by about 800,000 barrels per day by 1977.

I agree that we have improved our understanding of energy in the last eight months, but I cannot sign an extension of the Allocation Act and allow another six months to elapse on the important issue of oil pricing.

I believe that the actions I have taken can reduce our vulnerability to coercion without hindering our economic recovery. I ask your help in passing a windfall profits tax and rebates to consumers to further cushion the effects of decontrol and look forward to working closely with you as we forge the rest of a national energy policy.

I have directed FEA Administrator Frank Zarb to continue his efforts with you to develop an acceptable solution to our energy problem.

Sincerely,

Gerald R. Ford

THE PRESIDENT HAS SEEN....

United States Senate  
Office of the Majority Leader  
Washington, D.C. 20510

August 1, 1975

The President  
The White House  
Washington, D.C.

Dear Mr. President:

As we enter the statutory August adjournment, an assessment of national energy policy is essential. During the past six (6) months, the federal government has attempted to overcome 40 years of inattention by giving the highest priority to the development of a national energy policy. You have provided great focus and stimulus to these efforts. I personally have never witnessed a more intensive undertaking by any Congress and I believe these efforts by so many have been most productive. However, there remain certain aspects of the comprehensive program that have yet to be resolved. Among these are pricing aspects with regard to domestic oil. I believe, however, that even this difficult determination will soon be achieved. This is particularly so in view of the fact that on so many energy policy issues there has been substantial cooperation and accord between the Congress and the Administration.

We have all become more informed on the details of the energy problem and especially on how energy decisions precipitate economic consequences. I, myself, have advocated a policy of gradual removal of controls and I believe the development of such a policy will evolve as the legislative process is permitted to work its will. Over what period and to what price are questions that can be answered in a legislative forum.

As you know, in the last several days, many of us here in the Congress have been meeting with Mr. Crocenspan, Mr. Zarb and others within the Administration to the end that a mutually agreeable solution along these lines would emerge. My impression is that we have come close -- very close -- to arriving at a satisfactory answer; one that all sides could live with and one that would demonstrate to the American people that their government -- both branches, both houses of Congress and both parties -- is working in harmony to resolve this most difficult issue. As close as we have come, however, time did not permit the solution to emerge. As a result, we are left in an extraordinary position.

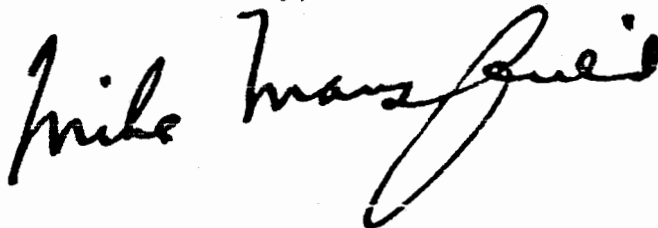
Without restraint, oil price increases could seriously damage the economy at a time when some hopeful signs are beginning to develop in certain sectors. Without restraint, oil price increases would provide profit rewards

The President  
August 1, 1975  
Page 2

of inordinate and unconscionable dimensions and at the cruel expense of those of our citizens least able to afford enormous price increases. No single economist, in or out of government, welcomes the all-at-once spectre of unrestrained oil prices with unrestrained impact on the American consumer. That the final details of an agreeable pricing formula have not been worked out, however, does not mean that, at least for the interim, we should not seek together to prevent what all agree would be the disastrous consequences brought on by the full economic impact of abrupt decontrol and no restraining or mitigating levers at all, be they aimed at equitable allocations, prices or profits or offsetting rebates. If allowed to happen, in my judgment, the damage occasioned would not and could not be rectified.

To avoid such an occurrence is the reason I write this letter. It is to provide you with my thoughts on this issue which I view with the greatest degree of concern. It is to advise you that in my judgment the opportunity exists to enact a sensible oil price policy; one perhaps that will not give all sides everything they seek, but one which does not leave the Nation with the worst of all possible worlds -- as is the situation we face if the Emergency Allocation Act is not extended. In my judgment, an extension of the Allocation Act would avoid for the Nation the "worst of all" options. I am confident that you will provide the leadership that will permit the constructive process of the past six months to continue.

Sincerely,



cc: Hon. Carl Albert  
Hon. Thomas P. O'Neill, Jr.  
Hon. Hugh Scott  
Hon. John J. Rhodes  
Hon. Robert C. Byrd

P.S. I believe the added time will permit the completion of a truly national policy on energy worked out between the branches. We have come a long way since January, both on energy and economic recovery.



September 8, 1975

Robert Linder -

Please prepare the  
suggested letter to Senator Mansfield.

/ Jim Connor

up 9/8/75  
Signed 9/9/75

THE WHITE HOUSE  
WASHINGTON

Jim -

Here is the Mansfield package -

He evidently gave the President a

new letter -- the original old letter

(that had not been answered) was  
suppose to be put in the briefing  
folder by Nell -- it is not here --

Our staffing papers on this are attached.

Further action??

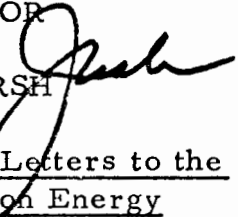
Tracy

*now here!*  
*Hold & ask Mansfield*



THE WHITE HOUSE  
WASHINGTON

September 8, 1975

MEMORANDUM FOR: JIM CONNOR  
FROM: JACK MARSH   
SUBJECT: Mansfield Letters to the  
President on Energy

In reference to the Mansfield letters to the President on energy, I think it's good to have on record some acknowledgment by him to a letter of this type.

My suggestion would be that it be simply a very short letter that indicates that he has seen Mike's incoming letters and says inasmuch as he has met personally with Mike and discussed the subject matter contained in his letters, he believed it was not necessary to respond.

Such a letter might read as follows:

"Dear Mike:

"Thank you for your letters of \_\_\_\_\_ and \_\_\_\_\_ in reference to the status of the energy situation. I read and studied both of these very carefully.

"Inasmuch as you and I have had an opportunity to meet and discuss the subject matter contained in these letters, I did not respond to you by letter on the same.

"It is my hope that the discussions that we have had and will be having on this in the immediate future will enable us to work out a satisfactory arrangement on this matter.

"With kindest regards, I am, "

THE PRESIDENT HAS SEEN....

United States Senate  
Office of the Majority Leader  
Washington, D.C. 20510

August 1, 1975

The President  
The White House  
Washington, D.C.

Dear Mr. President:

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We have all become more informed on the details of the energy problem and especially on how energy decisions precipitate economic consequences. I, myself, have advocated a policy of gradual removal of controls and I believe the development of such a policy will evolve as the legislative process is permitted to work its will. Over what period and to what price are questions that can be answered in a legislative forum.

As you know, in the last several days, many of us here in the Congress have been meeting with Mr. Greenspan, Mr. Zarb and others within the Administration to the end that a mutually agreeable solution along these lines would emerge. My impression is that we have come close -- very close -- to arriving at a satisfactory answer; one that all sides could live with and one that would demonstrate to the American people that their government -- both branches, both houses of Congress and both parties -- is working in harmony to resolve this most difficult issue. As close as we have come, however, time did not permit the solution to emerge. As a result, we are left in an extraordinary position.

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The President  
August 1, 1975  
Page 2

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To avoid such an occurrence is the reason I write this letter. It is to provide you with my thoughts on this issue which I view with the greatest degree of concern. It is to advise you that in my judgment the opportunity exists to enact a sensible oil price policy; one perhaps that will not give all sides everything they seek, but one which does not leave the Nation with the worst of all possible worlds -- as is the situation we face if the Emergency Allocation Act is not extended. In my judgment, an extension of the Allocation Act would avoid for the Nation the "worst of all" options. I am confident that you will provide the leadership that will permit the constructive process of the past six months to continue.

Sincerely,



cc: Hon. Carl Albert  
Hon. Thomas P. O'Neill, Jr.  
Hon. Hugh Scott  
Hon. John J. Rhodes  
Hon. Robert C. Byrd

P.S. I believe the added time will permit the completion of a truly national policy on energy worked out between the branches. We have come a long way since January, both on energy and economic recovery.



United States Senate  
Office of the Majority Leader  
Washington, D.C. 20510

August 29, 1975

The President  
The White House  
Washington, D.C.

Dear Mr. President:

On August 1, I wrote you expressing my personal view that the national interest could best be served at this time by an extension of oil price restraints beyond the current month. Since that time I have had an opportunity to consider the matter further and am even more firmly convinced of the impending peril to the economy posed by unrestrained across-the-board price increases in petroleum products. I am convinced as well that if given a little time the Executive and Legislative Branches can come to terms with a solution to the energy price problem agreeable to all sides.

It is for these reasons that I again write you to the end that the Nation might avoid the extraordinary position now faced. Neither the Administration nor the Congress seek abrupt and total decontrol. Together, both Branches and both parties have worked diligently to produce a solution to the energy pricing issue. I am frank to say that it has been your effort that has provided the primary impetus to the energy issue and to the need to develop a comprehensive energy policy for the Nation. Because of your effort, much has been done to shape and implement such a policy; more, in fact, in the past six months than ever before in the Nation's history. Before the August adjournment it was clear that we had come close to resolving the only major energy issue remaining to be resolved -- the question of phasing out price controls in the most orderly and non-disruptive manner possible.

On July 15, the Senate passed S-1849, the Emergency Petroleum Allocation Extension Act of 1975, by a vote of 62 to 29 with eight Senators not voting. On July 31, the House of Representatives passed the Senate bill by a vote of 303 to 117 with 14 not voting. Thus, the Congress has overwhelmingly expressed its view with regard to the pressing need for an extension of the Act for a 6-month period. The issue now centers on whether or not there will be a veto of the Act when it is presented for your signature, which brings me directly to the point of major concern.

What I suggest is that simply because the final details of an agreeable pricing policy have not emerged, the Nation should not be made to suffer the consequences of no pricing policy at all as is the case with total decontrol, nor should the efforts to work out the final details of such a policy be abandoned.

The President  
August 29, 1975  
Page 2

I am frank to say that I do not know what will happen come Labor Day with winter close behind, when, barring an extension, all controls will end. There are as many views on this matter as there are "experts." What further confuses the picture is the fact that no one knows what will happen when the OPEC cartel meets three weeks from now to discuss further price increases. What is clear to me, however, in spite of the ifs, ands and buts, is that the consumer will be hurt come September if controls are not extended, that the price of petroleum and all of its by-products will go up, that the prices of other energy sources will go up, that inflation will be rekindled throughout the economy, that the burden of all of this will be borne most by those in our society who can least afford it, that the flickers of economic recovery now indicated could well be snuffed out and that we might expect a return to double-digit inflation, close to double-digit unemployment and a much greater budget deficit than already projected. What is also compelling in these circumstances is that there are absolutely no measures on the books that would serve to mitigate the adverse impact of total decontrol, be they in the form of windfall profits taxes, tax rebates to particularly hard-pressed consumers or protection for small, independent producers who might otherwise be driven out of the marketplace.

In short, the potential perils posed by abrupt and total decontrol are clear enough to me to urge that we in the Congress be permitted to continue to explore with the Executive the possibility of a more orderly and less disruptive approach to the pricing issue. That we have come close to agreement already is encouraging. For the sake of the Nation, I hope we are allowed to continue these negotiations. To them and to their success I stand firmly committed.

Respectfully,

A handwritten signature in cursive script, reading "Mike Mansfield". The signature is written in dark ink and is positioned below the word "Respectfully,".

cc: Hon. Carl Albert  
Hon. Thomas P. O'Neill, Jr.  
Hon. Hugh Scott  
Hon. John J. Rhodes  
Hon. Robert C. Byrd

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 6, 1975

FOR ACTION:

Frank Zarb

Time:

cc: (for information):

COMPLETED

FROM THE STAFF SECRETARY

DUE: Date: Friday, August 8

Time: Noon

SUBJECT:

Letter from Thomas P. O'Neill, Jr.  
Majority Leader - House of Representatives  
on Energy Issue

ACTION REQUESTED:

\_\_\_ For Necessary Action

\_\_\_ For Your Recommendations

\_\_\_ Prepare Agenda and Brief

X \_\_\_ Draft Reply

\_\_\_ For Your Comments

\_\_\_ Draft Remarks

REMARKS:

*Draft received from Zarb  
August 26*

*Checked with Jim Connor  
on 9/11/75 he said no reply  
would be sent to Mr O'Neill*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor  
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 6, 1975

Time:

FOR ACTION:

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Frank Zarb

FROM THE STAFF SECRETARY

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Draft Reply

\_\_\_\_\_ For Your Comments

\_\_\_\_\_ Draft Remarks

REMARKS:

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\_\_\_\_\_  
Jim Connor  
For the President

THE WHITE HOUSE

WASHINGTON

August 6, 1975

MEMORANDUM FOR: JAMES CONNOR

THROUGH: JOHN O. MARSH, *John*

FROM: CHARLES LEPPERT, JR. *Clay*

SUBJECT: Letter to the President from  
Majority Leader O'Neill in  
reference to S. 1849.

The attached letter to the President has received an interim acknowledgment. Would you please undertake the appropriate staffing action to develop a substantive response.

Many thanks.



August 6, 1975

Dear Mr. Majority Leader:

This is a brief note to advise you that your August 4 letter to the President was passed along for his attention immediately upon receipt. I have been asked to let you know that you will hear further shortly.

With kindest regards,

Sincerely,

Charles Leppert, Jr.  
Special Assistant for  
Legislative Affairs

The Honorable Thomas P. O'Neill, Jr.  
Majority Leader  
House of Representatives  
Washington, D.C. 20515

~~cc:~~ w/incoming through Jack Marsh to James Connor by  
Memorandum for development of substantive reply

CL:EF:VO:vo

THOMAS P. O'NEILL, JR.  
Majority Leader  
MAJORITY LEADER

Congress of the United States  
House of Representatives  
Office of the Majority Leader  
Washington, D.C. 20515

4 August 1975

The President  
The White House  
Washington, D. C.

Dear Mr. President:

Now that you are back from Europe, I know that you will be turning your attention to the all important energy issue. We have talked about this issue in the past and I am familiar with your views. I agree with you that the nation must get its energy house in order. If we are to restore our economy and our position in the world, Congress and the Administration must find a way to compromise their differences over the means for dealing with energy issues.

A stalemate now appears to exist between the Administration and the Congress. Should you veto S.1849, the six-month extension of the Emergency Petroleum Allocation Act, a serious confrontation would follow. Economic recovery would be threatened and future cooperation with Congress would be even more difficult - if not impossible. If this confrontation can be avoided, I think that the Congressional Majority, meeting the challenge of putting together an alternative to the Administration's energy program, will be ready for real negotiation and compromise.

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I believe that the Congress can get together with you on these issues, and on price issues as well, this fall. In addition, I understand that there may be natural gas and energy tax measures which might be part of a larger energy policy compromise.

I urge you, therefore, to sign the extension of the Emergency Petroleum Allocation Act which the Congress has adopted. Extension of the EPAA continues very high prices for new oil, contrary to the wishes of the Congressional majority, and controlled prices for old oil, which the Administration has opposed. But, I would hope that the Administration would prefer the extension to political confrontation and economic devastation which would follow a veto.

With every good wish,

Sincerely,



Thomas P. O'Neill, Jr.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 6, 1975

Time:

FOR ACTION:

cc (for information):

Frank Zarb

FROM THE STAFF SECRETARY

---

DUE: Date: Friday, August 8

Time: Noon

---

SUBJECT:

Letter from Thomas P. O'Neill, Jr.  
Majority Leader - House of Representatives  
on Energy Issue

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

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If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor  
For the President

THE WHITE HOUSE

WASHINGTON

August 6, 1975

MEMORANDUM FOR: JAMES CONNOR

THROUGH: JOHN O. MARSH, *John*

FROM: CHARLES LEPPERT, JR. *Clg.*

SUBJECT: Letter to the President from  
Majority Leader O'Neill in  
reference to S. 1849.

The attached letter to the President has received an interim acknowledgment. Would you please undertake the appropriate staffing action to develop a substantive response.

Many thanks.

August 6, 1975

Dear Mr. Majority Leader:

2. This is a brief note to advise you that your August 4 letter to the **President** was passed along for his attention immediately upon receipt. I have been asked to let you know that you will hear further shortly.

With kindest regards,

Sincerely,

Charles Leppert, Jr.  
Special Assistant for  
Legislative Affairs

The Honorable Thomas P. O'Neill, Jr.  
Majority Leader  
House of Representatives  
Washington, D. C. 20515

~~cc:~~ w/incoming through Jack Marsh to James Connor by  
Memorandum for development of substantive reply

CL:EF:VO:vo

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 5, 1975

Time:

COMPLETED

FOR ACTION:

cc (for information):

- Max Friedersdorf ✓
- Alan Greenspan ✓
- Frank Zarb ✓

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, August 6

Time: 3 P.M.

SUBJECT:

Letter of August 1, 1975 from Mike Mansfield on national energy policy.

ACTION REQUESTED: (See Below)

- |   |   |
|---|---|
| <input type="checkbox"/> For Necessary Action     | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply              |
| <input type="checkbox"/> For Your Comments        | <input type="checkbox"/> Draft Remarks            |

REMARKS:

- done ✓* Max Friedersdorf --- Please arrange for an acknowledgment of this letter.
- done by phone to Jim Connor* Alan Greenspan --- Your comments would be appreciated.
- Frank Zarb --- Please develop a substantive response for the President's signature.

*draft received from Zarb August 26*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor  
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 5, 1975

Time:

FOR ACTION:

cc (for information):

Max Friedersdorf  
Alan Greenspan  
Frank Zarb

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, August 6

Time: 3 P. M.

SUBJECT:

Letter of August 1, 1975 from Mike Mansfield  
on national energy policy.

ACTION REQUESTED: (See Below)

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

Max Friedersdorf --- Please arrange for an acknowledgment of this letter.

Alan Greenspan --- Your comments would be appreciated.

Frank Zarb --- Please develop a substantive response for the President's signature.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please

Jim Connor



THE WHITE HOUSE

WASHINGTON

August 5, 1975

MEMORANDUM FOR: JIM CONNOR

FROM: JACK MARSH 

The attached letter from Senator Mansfield was hand delivered to the President in an envelope marked "personal." Don gave it to the President who has read it. I would be grateful if you would undertake the staffing action to first, acknowledge its receipt, and secondly, develop a substantive response.

Thank you.

THE WHITE HOUSE

WASHINGTON

August 5, 1975

MEMORANDUM FOR: JIM CONNOR

FROM: JACK MARSH

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Thank you.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 5, 1975

Time:

FOR ACTION:

cc (for information):

Max Friedersdorf  
 Alan Greenspan  
 Frank Zarb

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, August 6

Time: 3 P.M.

SUBJECT:

Letter of August 1, 1975 from Mike Mansfield  
 on national energy policy.

ACTION REQUESTED: (See Below)

- |   |   |
|---|---|
| <input type="checkbox"/> For Necessary Action     | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply              |
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REMARKS:

- Max Friedersdorf --- Please arrange for an acknowledgment of this letter.
- Alan Greenspan --- Your comments would be appreciated.
- Frank Zarb --- Please develop a substantive response for the President's signature.

**PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.**

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor  
 For the President

United States Senate  
Office of the Majority Leader  
Washington, D.C. 20510

August 1, 1975

The President  
The White House  
Washington, D.C.

Dear Mr. President:

As we enter the statutory August adjournment, an assessment of national energy policy is essential. During the past six (6) months, the federal government has attempted to overcome 40 years of inattention by giving the highest priority to the development of a national energy policy. You have provided great focus and stimulus to these efforts. I personally have never witnessed a more intensive undertaking by any Congress and I believe these efforts by so many have been most productive. However, there remain certain aspects of the comprehensive program that have yet to be resolved. Among these are pricing aspects with regard to domestic oil. I believe, however, that even this difficult determination will soon be achieved. This is particularly so in view of the fact that on so many energy policy issues there has been substantial cooperation and accord between the Congress and the Administration.

We have all become more informed on the details of the energy problem and especially on how energy decisions precipitate economic consequences. I, myself, have advocated a policy of gradual removal of controls and I believe the development of such a policy will evolve as the legislative process is permitted to work its will. Over what period and to what price are questions that can be answered in a legislative forum.

As you know, in the last several days, many of us here in the Congress have been meeting with Mr. Greenspan, Mr. Zarb and others within the Administration to the end that a mutually agreeable solution along these lines would emerge. My impression is that we have come close -- very close -- to arriving at a satisfactory answer; one that all sides could live with and one that would demonstrate to the American people that their government -- both branches, both houses of Congress and both parties -- is working in harmony to resolve this most difficult issue. As close as we have come, however, time did not permit the solution to emerge. As a result, we are left in an extraordinary position.

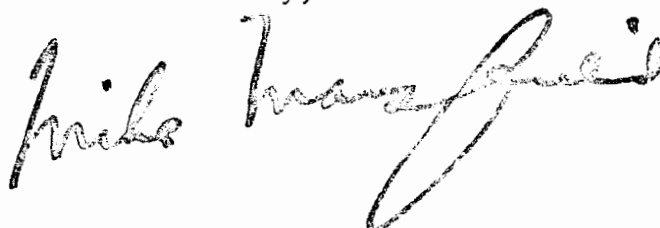
Without restraint, oil price increases could seriously damage the economy at a time when some hopeful signs are beginning to develop in certain sectors. Without restraint, oil price increases would provide profit rewards

The President  
August 1, 1975  
Page 2

of inordinate and unconscionable dimensions and at the cruel expense of those of our citizens least able to afford enormous price increases. No single economist, in or out of government, welcomes the all-at-once spectre of unrestrained oil prices with unrestrained impact on the American consumer. That the final details of an agreeable pricing formula have not been worked out, however, does not mean that, at least for the interim, we should not seek together to prevent what all agree would be the disastrous consequences brought on by the full economic impact of abrupt decontrol and no restraining or mitigating levers at all, be they aimed at equitable allocations, prices or profits or offsetting rebates. If allowed to happen, in my judgment, the damage occasioned would not and could not be rectified.


To avoid such an occurrence is the reason I write this letter. It is to provide you with my thoughts on this issue which I view with the greatest degree of concern. It is to advise you that in my judgment the opportunity exists to enact a sensible oil price policy; one perhaps that will not give all sides everything they seek, but one which does not leave the Nation with the worst of all possible worlds -- as is the situation we face if the Emergency Allocation Act is not extended. In my judgment, an extension of the Allocation Act would avoid for the Nation the "worst of all" options. I am confident that you will provide the leadership that will permit the constructive process of the past six months to continue.

Sincerely,



cc: Hon. Carl Albert  
Hon. Thomas P. O'Neill, Jr.  
Hon. Hugh Scott  
Hon. John J. Rhodes  
Hon. Robert C. Byrd

P.S. I believe the added time will permit the completion of a truly national policy on energy worked out between the branches. We have come a long way since January, both on energy and economic recovery.



THE WHITE HOUSE

WASHINGTON

August 5, 1975

MEMORANDUM FOR: JIM CONNOR

FROM: JACK MARSH 

The attached letter from Senator Mansfield was hand delivered to the President in an envelope marked "personal." Don gave it to the President who has read it. I would be grateful if you would undertake the staffing action to first, acknowledge its receipt, and secondly, develop a substantive response.

Thank you.

August 5, 1975

Dear Senator:

This is a brief note to advise you that your personal letter to the President was given to him immediately upon his return from Europe. I have been asked to let you know that you will hear further very shortly.

With kindest regards,

Sincerely,

William T. Kendall  
Deputy Assistant  
to the President

The Honorable Mike Mansfield  
Majority Leader  
United States Senate  
Washington, D.C. 20510

**cc: w/copy of incoming to James Connor for further handling.**

**WTK:EF:VO:vo**

**Original letter sent by memorandum by Jas. Connor to Frank Zarb**

United States Senate  
Office of the Majority Leader  
Washington, D.C. 20510

August 1, 1975

The President  
The White House  
Washington, D.C.

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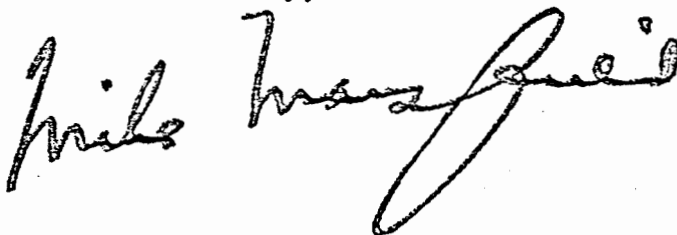


The President  
August 1, 1975  
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Hon. Thomas P. O'Neill, Jr.  
Hon. Hugh Scott  
Hon. John J. Rhodes  
Hon. Robert C. Byrd

P.S. I believe the added time will permit the completion of a truly national policy on energy worked out between the branches. We have come a long way since January, both on energy and economic recovery.



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 5, 1975

Time:

FOR ACTION:

cc (for information):

Max Friedersdorf  
Alan Greenspan  
Frank Zarb

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, August 6

Time: 3 P.M.

SUBJECT:

Letter of August 1, 1975 from Mike Mansfield  
on national energy policy.

ACTION REQUESTED: (See Below)

\_\_\_ For Necessary Action

\_\_\_ For Your Recommendations

\_\_\_ Prepare Agenda and Brief

\_\_\_ Draft Reply

\_\_\_ For Your Comments

\_\_\_ Draft Remarks

REMARKS:

Max Friedersdorf --- Please arrange for an acknowledgment of this letter.

Alan Greenspan --- Your comments would be appreciated. *Phoned 8/7/75*

Frank Zarb --- Please develop a substantive response for the President's signature.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor  
For the President

United States Senate  
Office of the Majority Leader  
Washington, D.C. 20510

August 1, 1975

The President  
The White House  
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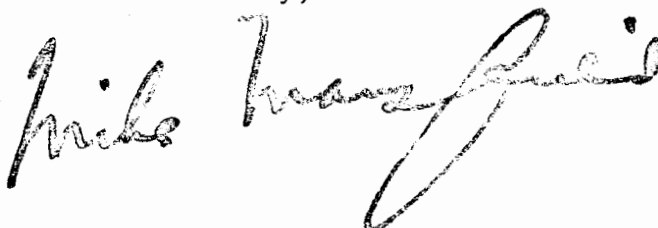
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Sincerely,

A handwritten signature in cursive script, appearing to read "Mike Mansfield".

cc: Hon. Carl Albert  
Hon. Thomas P. O'Neill, Jr.  
Hon. Hugh Scott  
Hon. John J. Rhodes  
Hon. Robert C. Byrd

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Handwritten initials in cursive script, appearing to read "J.S.H.".

THE WHITE HOUSE

WASHINGTON

August 5, 1975

MEMORANDUM FOR: JIM CONNOR

FROM: JACK MARSH 

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