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JAN 21 1975

THE WHITE HOUSE
WASHINGTON

DATE: 1/21/75

TO: Jack Marsh

FROM: Max L. Friedersdorf

Please handle _____

Please see me _____

For your information _____

Other _____

M

Republican House and Senate Leadership Breakfast, January 21, 1975

President -- We sent up an economic energy package and the opposition has tried to knit pick it to death. We will be sending up an omnibus bill in one package. We have a comprehensive program and all the Democrats are doing is trying to put road blocks in front of it. If I wanted to demagogue the issue I would ask them why don't they stay here until April 1st instead of going on vacation.

Schneebeli -- Ways and Means will meet tomorrow and Simon will testify and the House should act before February 6. But they will not consider the bill on the House floor until March 2.

President -- It will be mid-April before they act and all they really have is two simple provisions. An investment tax credit and the tax rebate. Action is important and we are going to be aggressive. We are going to be on the offensive and not let them play politics. This issue is too serious to play politics.

Conable -- I hope you will talk about what the price of inaction will be if the Congress doesn't pass these measures.

Cederberg -- There is great concern about the increase costs of heating oil.

Schneebeli -- Al Ullman plans to limit the refund to \$5 billion and he will ask for 10% investment tax credit.

Senator Curtis -- About all the Senate Finance Committee could do now is hold public hearings. The people aren't sure why oil import should be reduced and they need a well planned public education program.

Stafford -- The people don't understand the need for saving oil. There should be a *report* of what will happen if we don't do

ammunition

do a thing. We need some *✓* to sell the program.

Greenspan -- We can buy oil indefinitely from the Arabs but if we go on, the price of oil will grow year by year. Our society is based on low cost energy but the cost of that energy is changing and we are playing Russian roulette. This dependence on Arab oil makes our society susceptible to black mail and what we are trying to do is to restore a degree of control over our own society. A severe embargo now could bring unbelievable devastation such as a 25% unemployment rate and the paralysis of Los Angeles County. The point is that each year it gets worse and if someone has this power over us they will use it and we are vulnerable to black mail.

Secretary Simon -- The government has installed over the years impediments to production of domestic fuel and if we could eliminate the red tape and regulation and let the free market operate and every available rig be used, we could be self-sufficient. We need to get back to the free enterprise system which is damned efficient.

Zarb -- In 1970 we paid \$3 billion to the Arab countries *for oil*. In 1974 we paid \$24 billion to the Arab countries and in 1977 we will be paying \$32 billion to the Arab countries for oil and at the present time we are relying on them for 40% of our oil and by 1985 it will be 50%. We are being governed by the advice and consent of those who sell us oil.

Greenspan -- Rationing would decrease by 30% the amount of gas for each motorist.

The question to be asked if you want rationing is would you be willing to accept a 30% reduction.



Secretary Simon -- Rationing will most certainly make higher gas prices. There are 250,000 gas stations in the United States and a great number of these are independents. If you lower the amount of gas by rationing this means that they will have to charge higher prices to stay in business

Rhodes -- The choke point is your authority to put tax on imports. We don't yet know what the Democratic strategy will be but Jackson and Kennedy are going for the jugular and if they take that authority away to impose tariffs, I hope you would veto it and I would support it. *(Senator Scott agreed.)*

Greenspan -- The money taken in from the additional energy costs will be going out again to the American people. There are only two ways to conserve energy and one is by rationing and one by increased price. This will not be a burden on the American people because we are giving the money back to them and asking them to spend it on other goods rather than the energy.

Vice President -- The real issue here is survival of freedom. The state of freedom is ~~not good~~ *not good.* We are almost faced as a free world with a crisis beyond our capacity to solve. The Arabs have power to cut off our oil and the Soviets have the capacity to stop delivery of this oil. We no longer have the freedom of the seas. Money is being concentrated in the Arab nations with which they can politicize other nations. They are already investing in Eastern Europe. The Democrats are playing games but the basic fact is we have got to survive. This means Americans must tighten their belts and produce energy here in the United States through shale, gas

from coal, and if we do so we can become independent and spend that \$25 billion here each year on employment of Americans. But this will take courage and self-discipline and what we are talking about is a survival of freedom of democracy here and in Western Europe.

THE WHITE HOUSE

WASHINGTON

January 21, 1975

Republican Leadership Breakfast, January 21, 1975, 7:30 a.m.

The President began the Republican Leadership Breakfast meeting by commenting on his plan to send the Omnibus Bill to the Hill, covering his economy and energy program. He pointed out that Jackson and Kennedy efforts were negative actions which did not solve the problem. He pointed out that Congress was not staying in session to consider the program, and he hoped there would be action on the tax bill by February 6, otherwise House consideration would be delayed until March 2 or later.

He mentioned he would be making a swing across the country to explain the program.

Conable urged the President to point out the cost of the "no-policy, no-action" option and the results of the same.

Cederberg said people in his area who use heating oil will be hard hit

and perhaps there should be some modification of the rebate formula to aid them. The \$80 energy rebate should be stressed he said.

Scott said Congress should be urged to stay and work on the program.

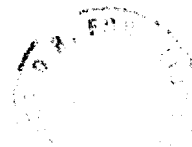
Tower pointed out that this particular recess was done traditionally to accommodate the Republicans.

Schneebeli said Democrats would probably limit tax refund to \$5 million instead of \$12 million, pointing out that those who are talking about the crude oil increase are ignoring the \$18 million rebate figure.

Ullman is having organizational problems in the Ways and Means Committee. Said at the present time the Senate Finance Committee can only hold hearings. He said people don't understand most problems and we should consider giving preference in fuel allocation to users in industry and agriculture.

Zarb said that Curtis' points were being considered.

Stafford concurs with Curtis' view that people don't understand and he feels they are really against all plans with the hope for the



status quo. Said there is a need to supply Congress with facts and details to refute "no-action" option.

Greenspan said the percentage of Arab oil used in the United States will grow, increasing our vulnerability to blackmail and losing control over our society. A future embargo of any duration would have a terrible impact on our society. Inventories will only sustain us during a short embargo.

Curtis raises the question as to whether there is an incentive in the program to increase production.

Simon sated that the marketplace was the best place to provide incentives but this was being frustrated in the energy field because of government red tape and impediments.

Zarb pointed out to the group the growth of the Arab oil problem with a \$3 billion out-flow in 1970, a \$25 billion out-flow in 1974, with the trend continuing upward.

Devine pointed out that the nitpicking at the President's program is not

confined to Democrats but includes Republicans as well.

Simon pointed out that rationing will cause an increase in prices.

Tower stressed that rationing will not increase the energy supply and cautioned against punitive action against the oil industry.

Conable said we must consider the deficit and warned that Democrats will make it a issue and label the Republicans as big spenders.

Rhodes says it is difficult to tell at the present time what course the Democrats will follow. And that the President's big weapon is his power to levy import tax which must be protected from repealing legislation by supporting a veto.

Stevens raises a question how you explain that the oil levels are not inflationary. He believes we must rethink our oil economy as well as a way to explain out-flow of oil. Raises a question as to placing a tax on domestic oil as hard to explain or understand. Asks whether or not the unit price approach used in World War II would be applicable now.

Greenspan said there was no increase in the cost of living because you were putting back into the economy what was being taken out by the increases.

Only two things to address problem: rationing and pricing.

Cederberg feel there is some public understanding of problem but feels we should prepare a paper to state our case against rationing. Said Democrats have both program and votes but action would put Congress on the spot in reference to rationing. Warned that we could expect the Democrats to ask for more public service jobs.

Young reminded group that agriculture has big petroleum users which are vital to our food supply.

Vice President feels we should move to broad issues. Main issue is survival of freedom and democracy. State of freedom not good. In addition to Arabs cutting oil off, Soviets can stop its delivery by sea.

Arabs are becoming capitalists of the world, and our goal must be energy independence through an increase in domestic production of shale, coal and other energy reserves. We must do the same in raw materials he added.

Curtis said that we can probably expect nothing new from the Congress, and he requested that a study be made to see what would happen if the President resorted to the use of the tariff only insofar as addressing the problem is concerned.

Quillen said constituents were having trouble understanding the Indian giving approach, which is part of the President's program of taking away and giving back. He said, however, that he supported the program, but the high cost of fuels and electricity is becoming a major problem.

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