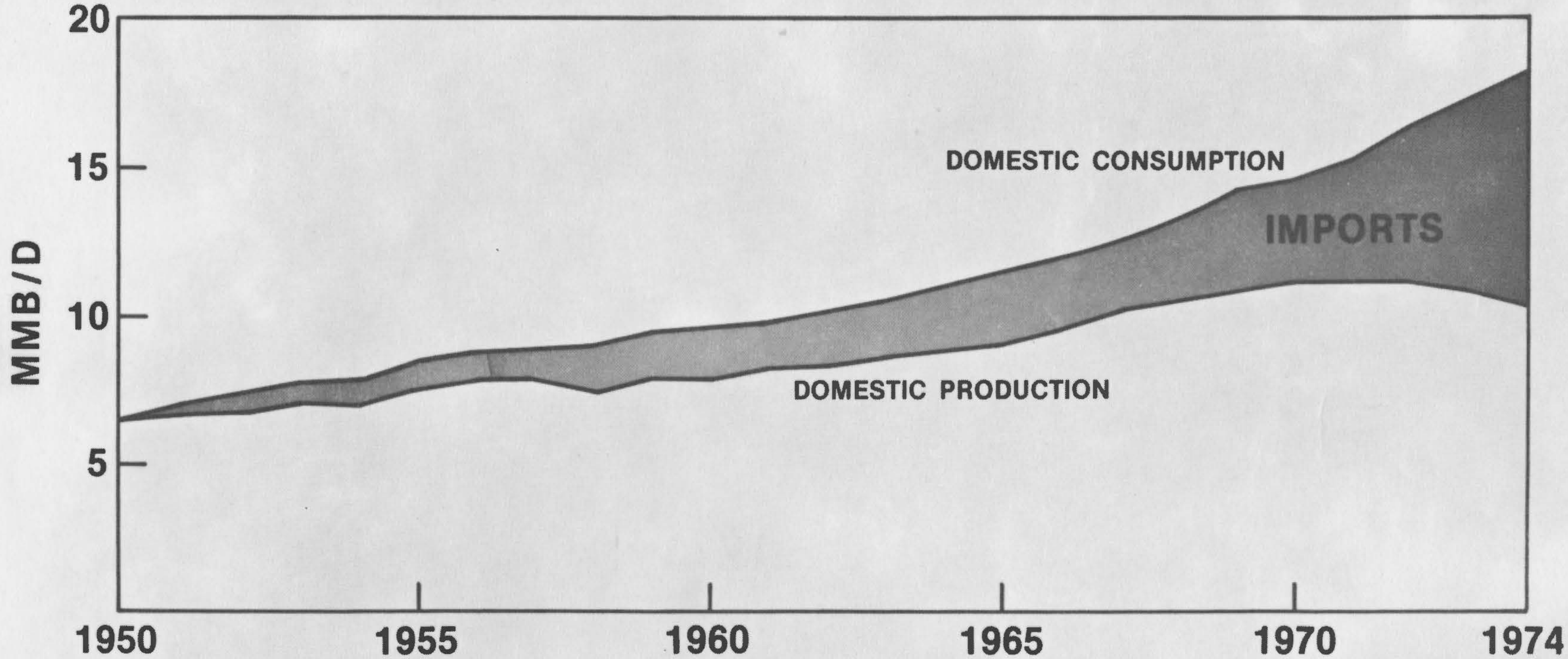
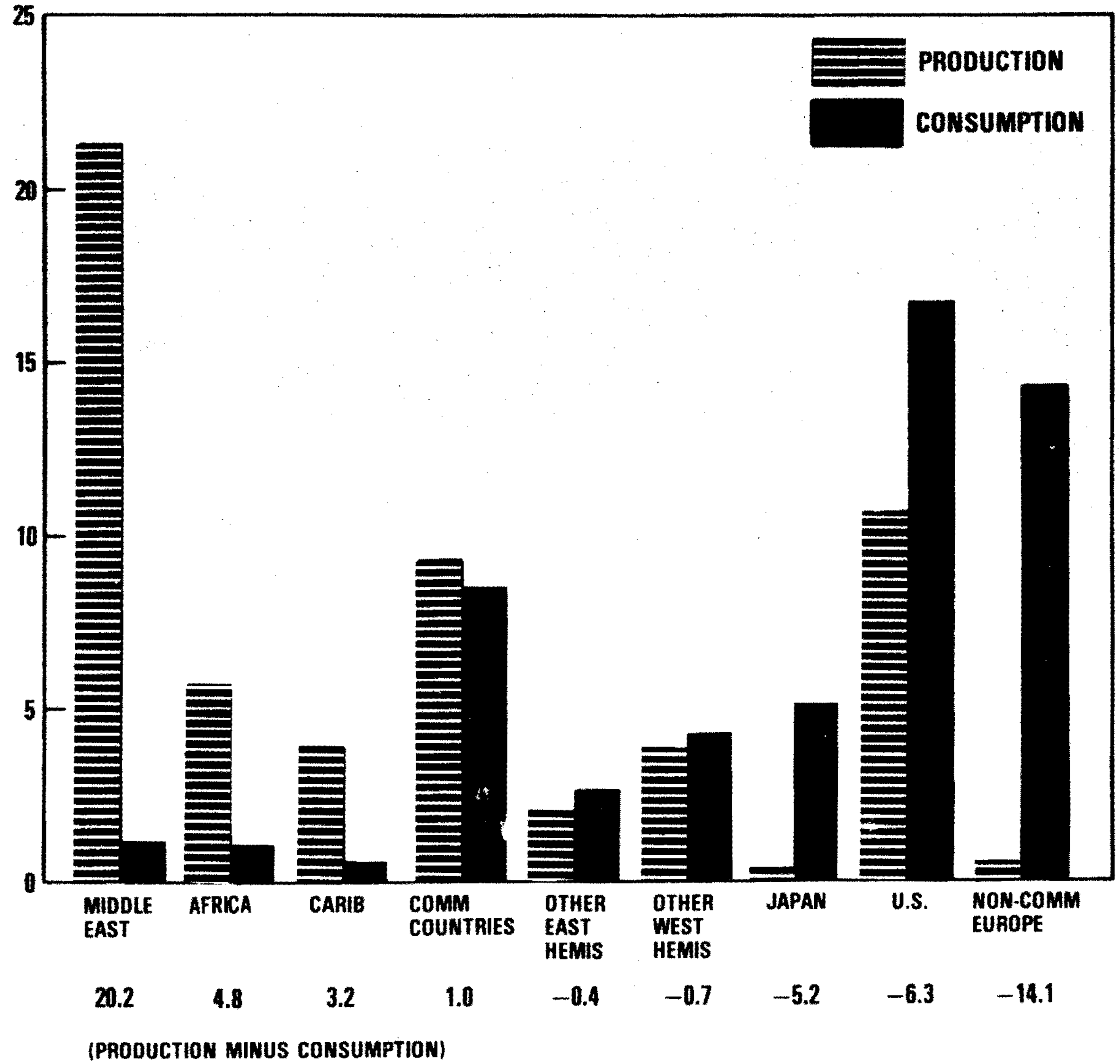
The original documents are located in Box 10, folder “Energy - President's Program (1)” of the Ron Nessen Papers at the Gerald R. Ford Presidential Library.

PETROLEUM TRENDS

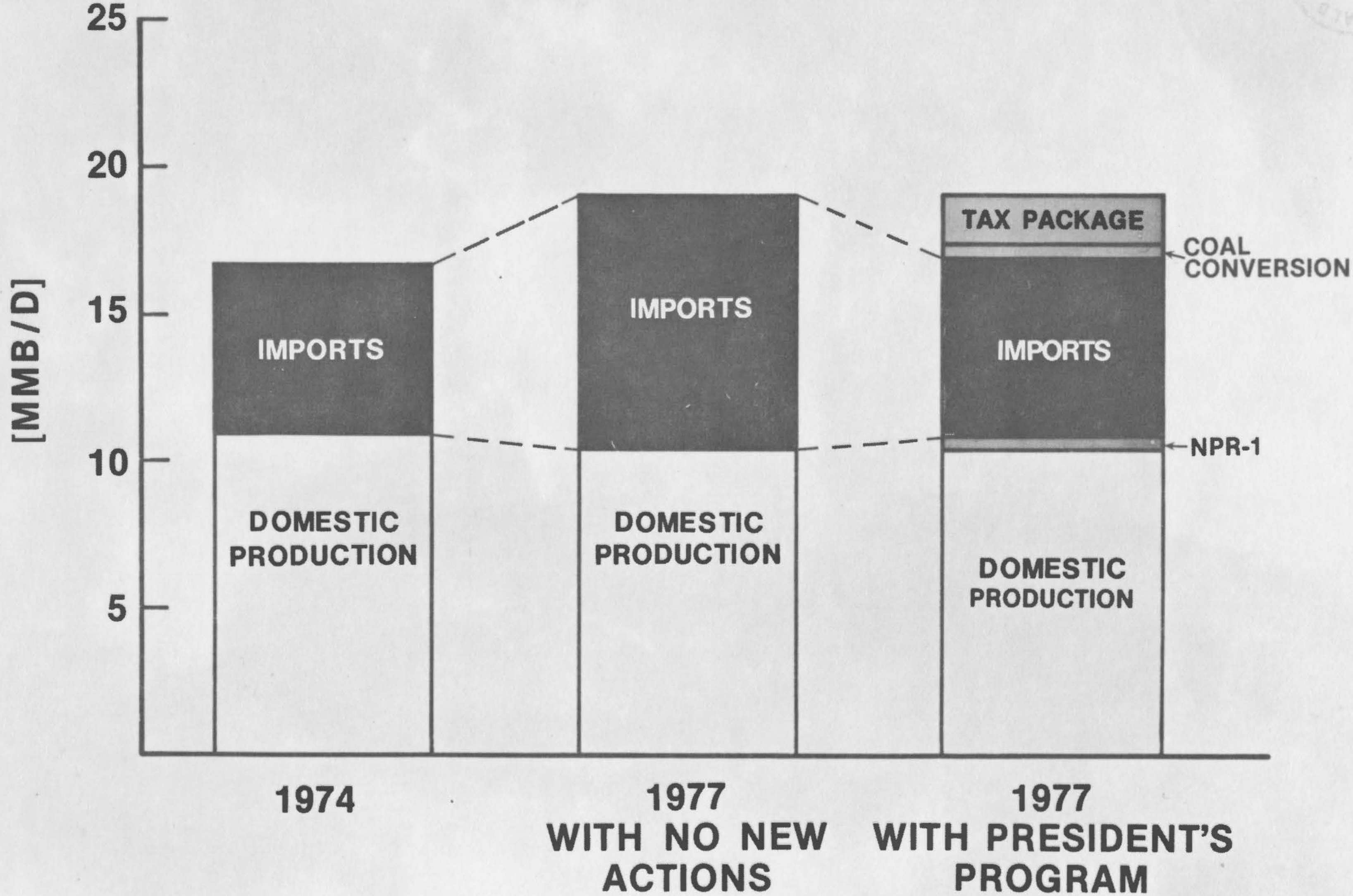


1973 CRUDE PETROLEUM PRODUCTION AND PETROLEUM PRODUCT CONSUMPTION FOR MAJOR PRODUCING AND CONSUMING AREAS

(MMB/D)



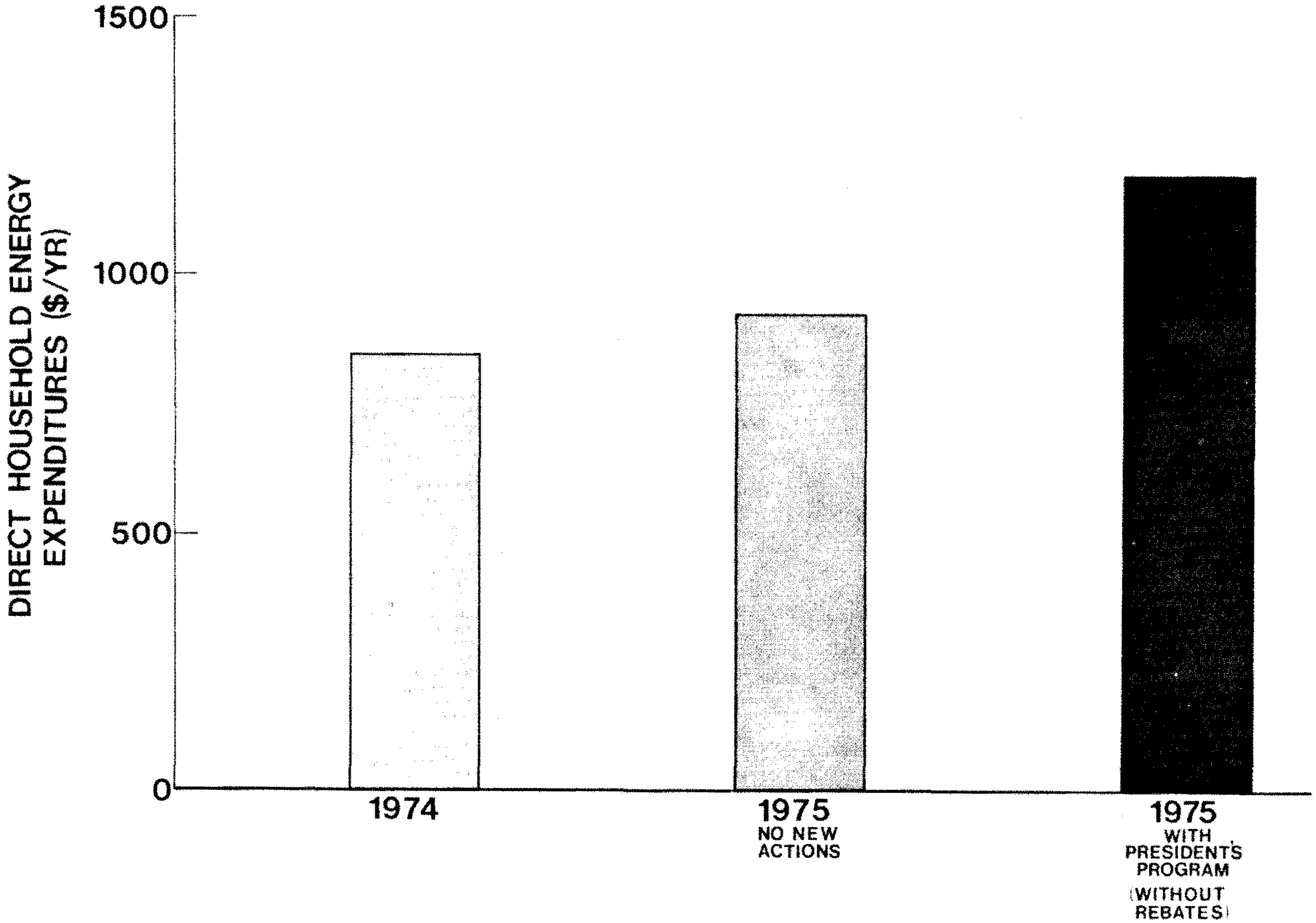
THE PRESIDENT'S SHORT-TERM PROGRAM



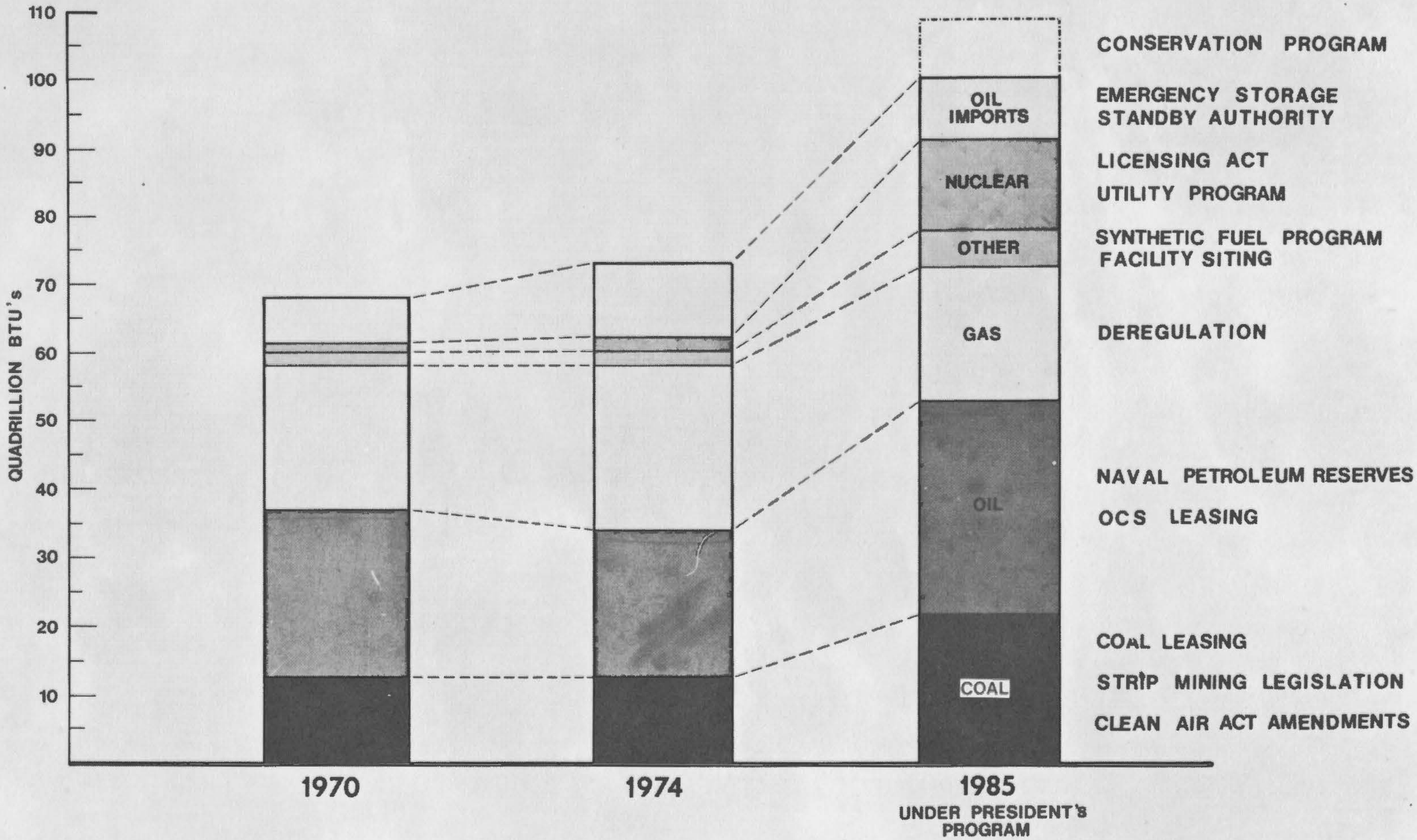
IMPACTS OF SHORT-TERM PROGRAM

	1975 [MMB/D]	1977 [MMB/D]
CONSUMPTION IF NO NEW ACTIONS	18.0	18.3
IMPORTS IF NO NEW ACTIONS	6.5	8.0
	IMPORT SAVINGS	
LESS SAVINGS BY SHORT-TERM ACTIONS:	1975 [MMB/D]	1977 [MMB/D]
PRODUCTION FROM ELK HILLS	0.2	0.3
COAL CONVERSION	0.1	0.3
TAX PACKAGE	0.9	1.6
TOTAL IMPORT SAVINGS	1.2	2.2
REMAINING IMPORTS	5.3	5.8

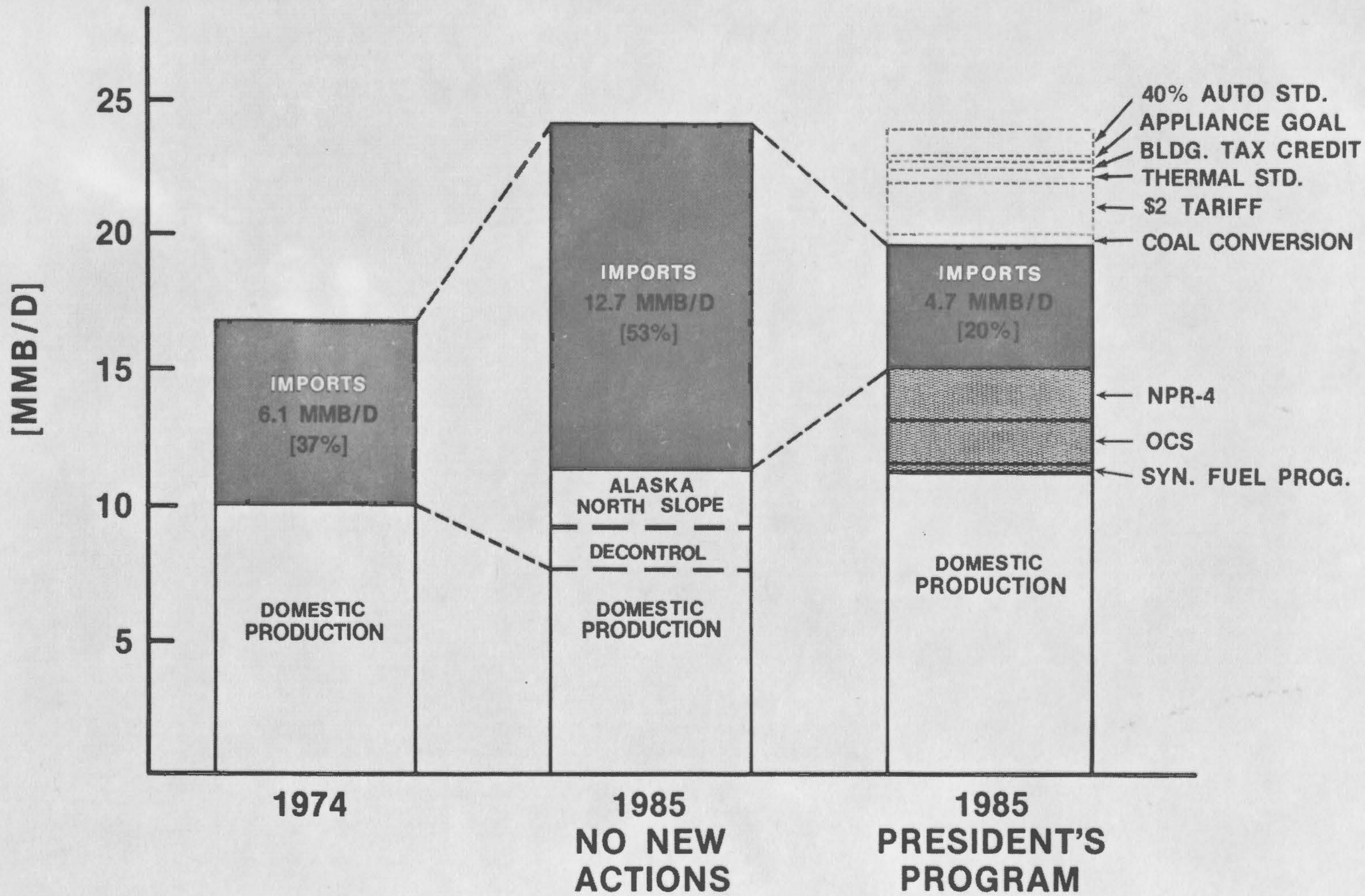
PRICE EFFECTS OF PROGRAM



ACTIONS TO BECOME INDEPENDENT



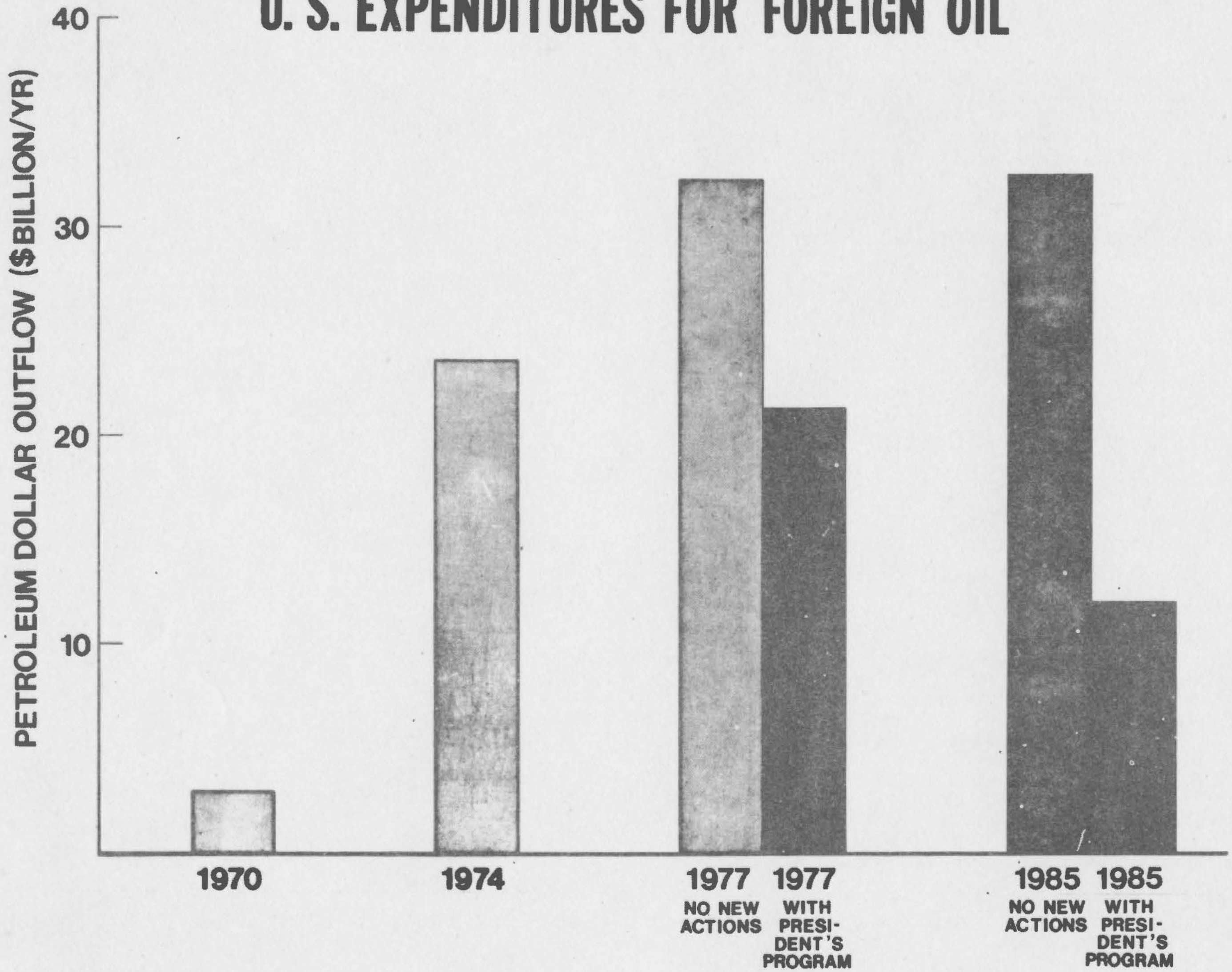
IMPACT OF THE PRESIDENT'S PROGRAMS ON PETROLEUM IMPORTS



EFFECTS OF MID-TERM PROGRAM
(1985)

DEMAND WITH NO NEW ACTIONS		23.9 MMB/D
IMPORTS WITH NO NEW ACTIONS		12.7 MMB/D
LESS SAVINGS ACHIEVED BY FOLLOWING ACTIONS:		1985 IMPACT ON IMPORTS [MMB/D]
OCS LEASING		1.5
NPR-4 DEVELOPMENT		2.0
COAL CONVERSION		0.4
SYNTHETIC FUEL COMMERCIALIZATION		0.3
AUTO EFFICIENCY STANDARDS		1.0
CONTINUATION OF TAXES		2.1
APPLIANCE EFFICIENCY GOALS		0.1
INSULATION TAX CREDIT		0.3
THERMAL STANDARDS		0.3
TOTAL IMPORT SAVINGS BY ACTIONS	8.0	
REMAINING IMPORTS		4.7
LESS:		
EMERGENCY STORAGE		3.0
STANDBY AUTHORITIES		1.7
NET IMPORT VULNERABILITY	0	

U. S. EXPENDITURES FOR FOREIGN OIL



	ADMINISTRATION PROGRAM	SENATE PROGRAM	HOUSE PROGRAM
GOALS	1975: Reduce imports by 1 MMB/D 1977: Reduce imports by 2 MMB/D 1985: Invulnerable (4-5 MMB/D)	1975- Variable depending on economic 1977: health 1985: Reduce imports to 10 percent of total energy consumption (less than 5 MMB/D)	1975: Reduce imports by 0.35 MMB/D 1977: Reduce imports by 1.0 MMB/D
MAJOR CONSERVATION MEASURES	Short-Term Tax & import fee program Decontrol of old oil Natural gas excise tax Voluntary program Windfall profits tax Long-Term Auto efficiency goals Appliances efficiency goals Auto & appliance efficiency labeling Thermal efficiency standards Thermal insulation tax credit Low-income conservation program	Short-Term Gasoline tax (gradual-phased with reduced unemployment-amounts unspecified) Windfall profits tax on oil, coal, and gas Long-Term Small car tax incentives Auto efficiency standards * Federal insulation & residential conservation program * Appliance & auto efficiency labeling * Thermal efficiency standards * Improved mass transit R&D to develop urban electric car Industrial conservation investment incentives Industry efficiency standards	Short-Term Achieve goals by import quota & matching conservation program Gasoline tax - 8¢/gallon in 1975; 12¢ in 1976; 16¢ in 1977 6 percent allocation cutback Windfall profits tax * Long-Term New car excise taxes (low mileage per gallon) New car rebates (high efficiency cars) Thermal insulation tax credit* Punitive tax for increased use of power Efficiency labeling of all energy consuming products * Prohibition on gas use in new power plants
MAJOR SUPPLY MEASURES	Short-Term Coal conversion (ESECA) Elk Hills (NPR-1) Long-Term Natural gas deregulation OCS development Clean Air Act amendment Surface mining Coal leasing Electric utility Facility siting Synthetic fuels program	Short-Term National Energy Production Board Coal conversion incentives (not environmental) Long-Term Enhanced recovery incentives * New natural gas deregulation with statutory ceilings Change OCS bidding system & initiate Federal exploration Repeal depletion allowance for major oil companies Surface mining * Facility & land use legislation Energy Trust Fund Coal transportation network Synthetic fuels program * Electricity transmission line financial incentives	Short-Term Coal conversion * Auto emission relaxation * NPR development * Long-Term OCS development (suggest govt. corp for exploration) Surface mining Eliminate foreign & most domestic depletion allowance Energy Conservation & Development Trust Fund Synthetic fuel program * Expedite nuclear plants Enhanced recovery incentives
EMERGENCY MEASURES	Strategic Petroleum Reserves Standby authorities	Strategic Energy Reserve (1 billion bbl) * Standby authorities *	Strategic Petroleum Reserve (amount unspecified) * Standby authorities *

* indicates similar program to Administration proposals

cerpts from the Security alysts speech

In meeting the energy challenge, I seek cooperation, not confrontation with the Congress. But in order for us to work together, the Congress must do more than criticize and until the Congress does something more, it will be part of the energy problem, not part of the solution.

I think before we are through, I think it is obvious, there will have to be some getting together between the Congress and myself, ~~but~~ I am open to their recommendations. But I have to -- because the problem is so severe, the potential danger is so great -- move forward.

As I said during my remarks, for three years, to my memory, we have had talk and no action, so I intend to push. I think it is right and I think we will get a solution without interfering with the recovery of the economy.

I am going to stickwith my proposal until I see what the Congress eventually comes up with.

We think ours is the best balance to get the needed stimulant and the most constructive action. ~~from the point of view of [illegible].~~ I hesitate to commit myself to what a committee has done when they have a long and tortuous road before they send anything down to the White House.

~~Then, of course,~~ That is only the Committee recommendation; the House can change it; the Senate Finance Committee can change it; the Senate could change it, and then they have to go to conference.

I have been in enough conferences to know conferences can significantly change a legislative proposal from the House and the Senate.

I just want them to act, and it does bother me. I must say this: In my State of the Union Message on January 15, I told them what we wanted, what I thought was needed. I had people up there testifying as soon as their committees were organized, and you know, the House of Representatives won't act on that until next week or the following week, and that is almost five weeks.

TRANSCRIPT OF STATEMENT BY SENATOR DALE BUMPERS
ON CBS NETWORK

What I want to say is essentially an echo of what Chairman Ullman has already said. I personally think that the President's proposals are ill-conceived, they are quick, they are simplistic, but they are patently unfair. The two biggest problems in the country right now are inflation and unemployment. I happen to believe that the President's proposals will have the very opposite effect to those he propounded tonight. I believe that his proposals will exacerbate both inflation and unemployment.

The President didn't mention figures tonight, but I scribbled some figures during the course of his presentation and some figures that were given to us during the ad hoc committee deliberations. First of all he is proposing to decontrol old oil. That will cost $12.7 billion. Then he proposes to put a $3 fee on all imported oil. That will cost $8.7 billion. Coal and unregulated gas are naturally going to float up to reach a similar price level and that will cost $5.8 billion. Those figures that I have just mentioned to you mean that the American taxpayer is going to have to pay for increased energy alone, $27.2 billion -- but that's not the whole story. You add the cost of transportation; add the cost of the clothing you wear, most of which are by-products of petroleum; add the cost of food that the farmer is going to have to pay more to produce; the cost of transporting the food; the cost of processing. When you consider all of the increased costs of virtually everything every American purchases, the cost will run somewhere between $40-$52 billion a year, or over $600 for every family in this nation of four persons.

I'm not here to defend the Congress and I'm not here to condemn the President. But the Congress has done some things. First of all, it enacted a proposal overwhelmingly in both Houses to prohibit the President doing precisely what he said tonight he wanted to do. This was passed by 535 men and women who are duly elected by the American people, and yet the President chose to veto that proposal so that he could go ahead and put the $3 import fee on. Secondly, the Congress after a great deal of deliberation passed a strip mining bill. I thought the strip mining bill was not perfect, but it did achieve a balance between the desire and the necessity for producing more coal in this country and the environmental concerns which we are going to have to take into consideration for producing that coal. And, like the President, I not only thought that it would not throw people out of jobs -- I thought it was the only way we could produce significantly more coal. As long as there is no strip mining bill on the books of this country, there will be very little additional coal produced.

The Congress has under consideration bills to mandate automobile efficiency. It will mandate that Detroit produce automobiles that get a certain mileage. It will mandate that all construction, both public and private, contain certain insulation, and I could go on and on.

But going back to the $12.7 billion cost of decontrolling old oil. Who pays for that? The American consumer pays it and it goes in the oil companies pocket. Last year the oil companies in this country enjoyed the biggest profits, unparalleled in the history of the country and yet all of this is designed -- all of the President's program is designed to create incentive to produce more oil. Last year at a time when the oil companies of this country enjoyed these unparalleled profits, oil production in the country went down 500,000 barrels a day.

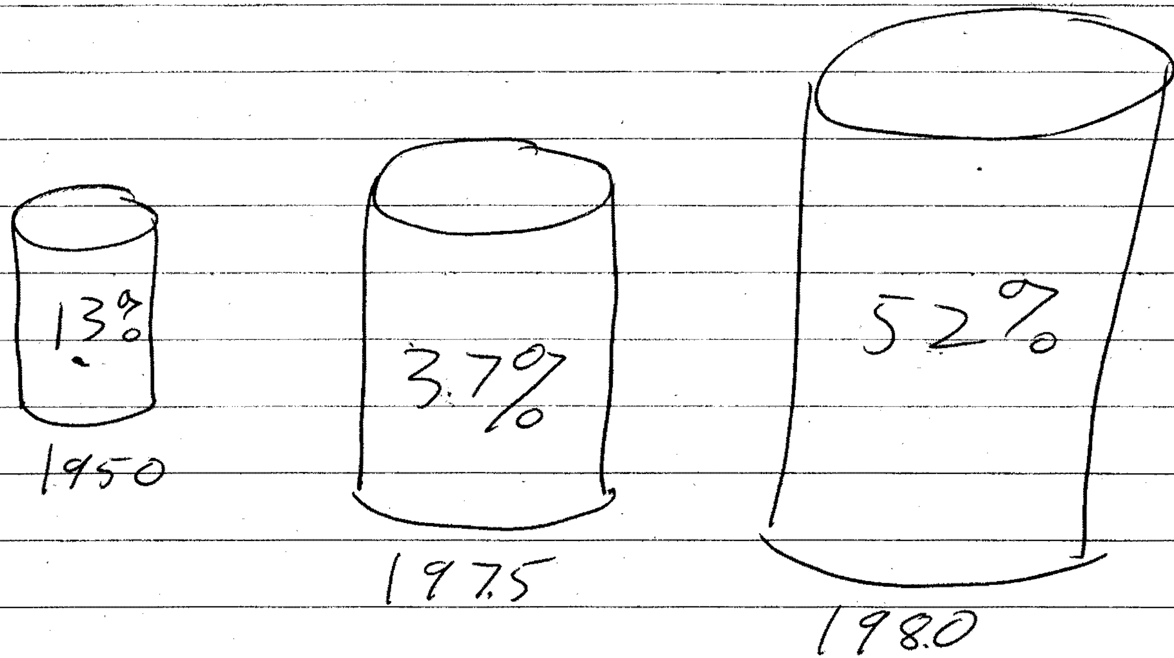
What happens to gasoline prices alone if all the increase the President's proposing is put on gasoline? The cost of gasoline will go up thirty cents a gallon. If it's distributed between gasoline and fuel oil and petro-chemical products and all the others, then the price of gasoline and fuel oil would go up approximately 15 cents a gallon.

The President's proposal that he gave the Congress in January was indeed overwhelmingly rejected out of hand by the Congress. By those 535 men and women who were, as I say, duly elected. I suppose that it's only natural that the President would choose to blame the Congress for not having an energy policy when the one he presented was neither well-conceived, and I didn't think, in the best interests of the country because it was neither fair nor was it even-handed.

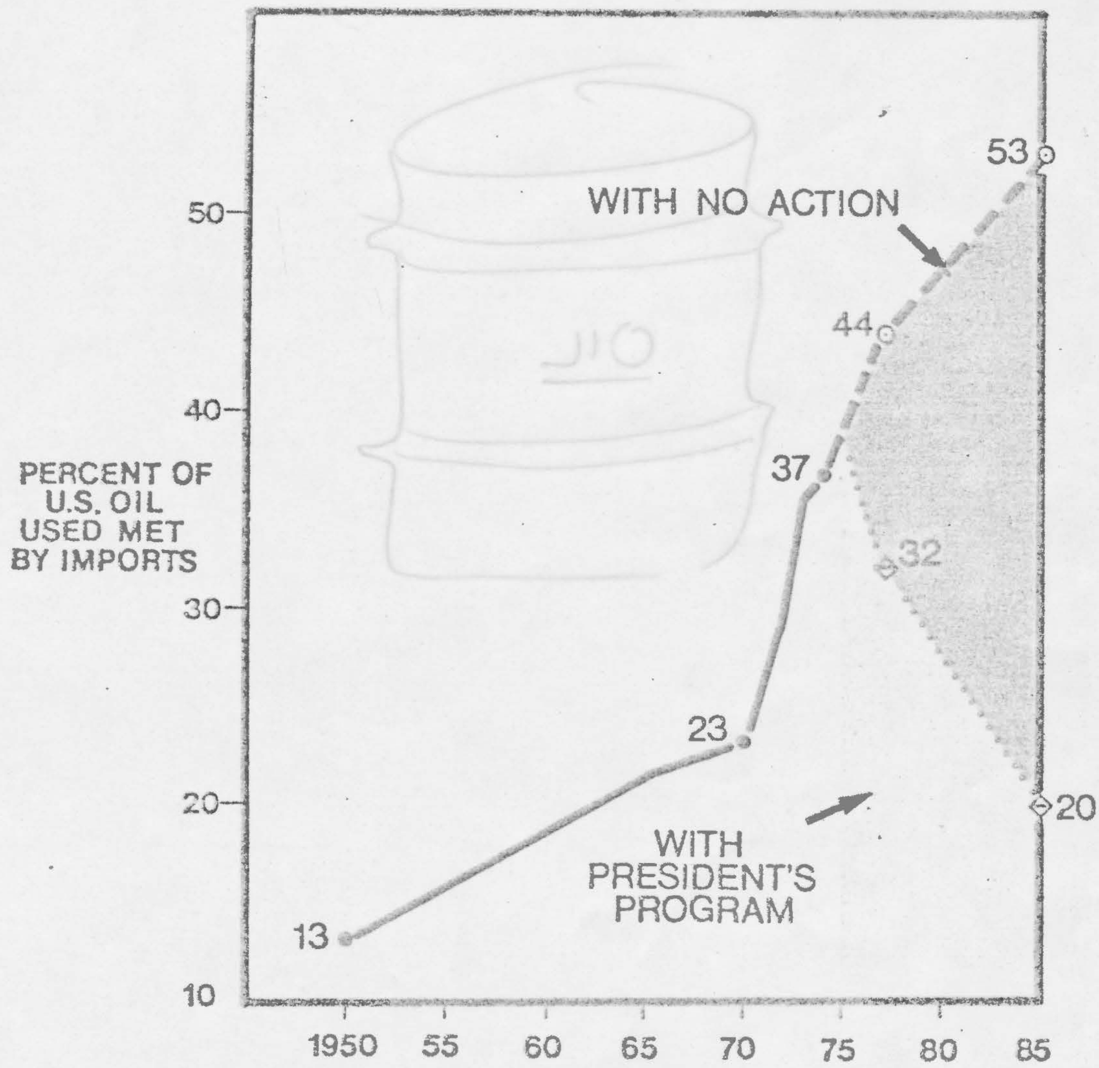
The President has admitted that the OPEC nations set the price of oil in this country. In my opinion, if he chooses to raise the import fee by $3, he is in effect saying the OPEC nations, "Yes, we can afford to pay more for our fuel."

The President's proposals all amount to rationing by price. And I think it is a concept that breaks faith with the American people especially with the masses of working people in the country; especially with the poor people; especially with the people on fixed incomes. Nothing threatens our society more than the fact that the cost of everything we use is going up faster than wages are going up in this country. I regret that the President persists in recrimination in compensation politics because I don't think it is in his best interest, I don't think it's in the Congress' best interest, and above all I don't think it's in the best interest of the American people.

Thomas Jefferson once said that democracy can survive with the consent of the governed, and I say that as long as the governed of this country feel that they are not being treated fairly and evenly, they are not going to forever give that consent.

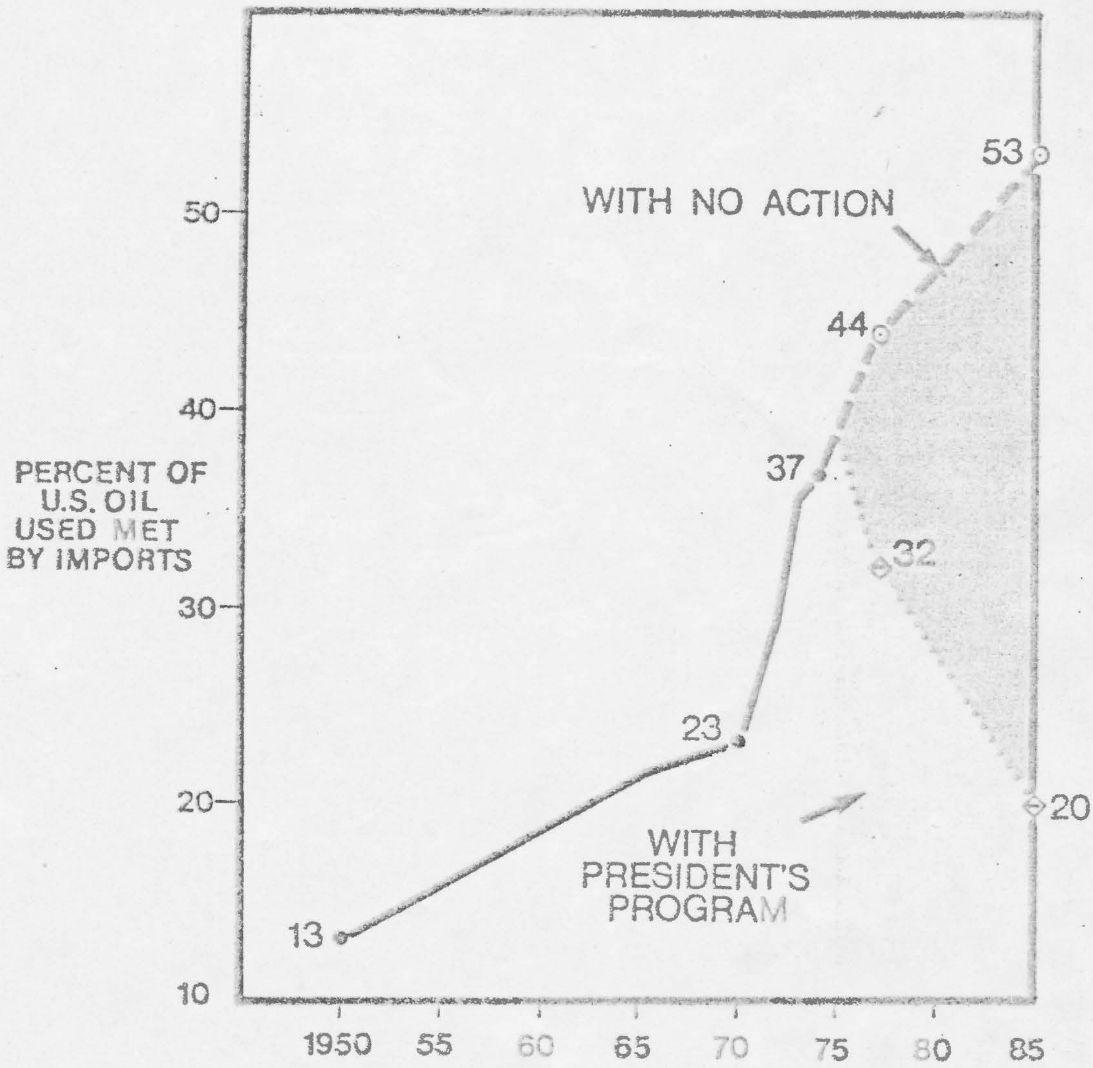

13%
1950
37%
1975
52%
1980

DEPENDENCE ON IMPORTS

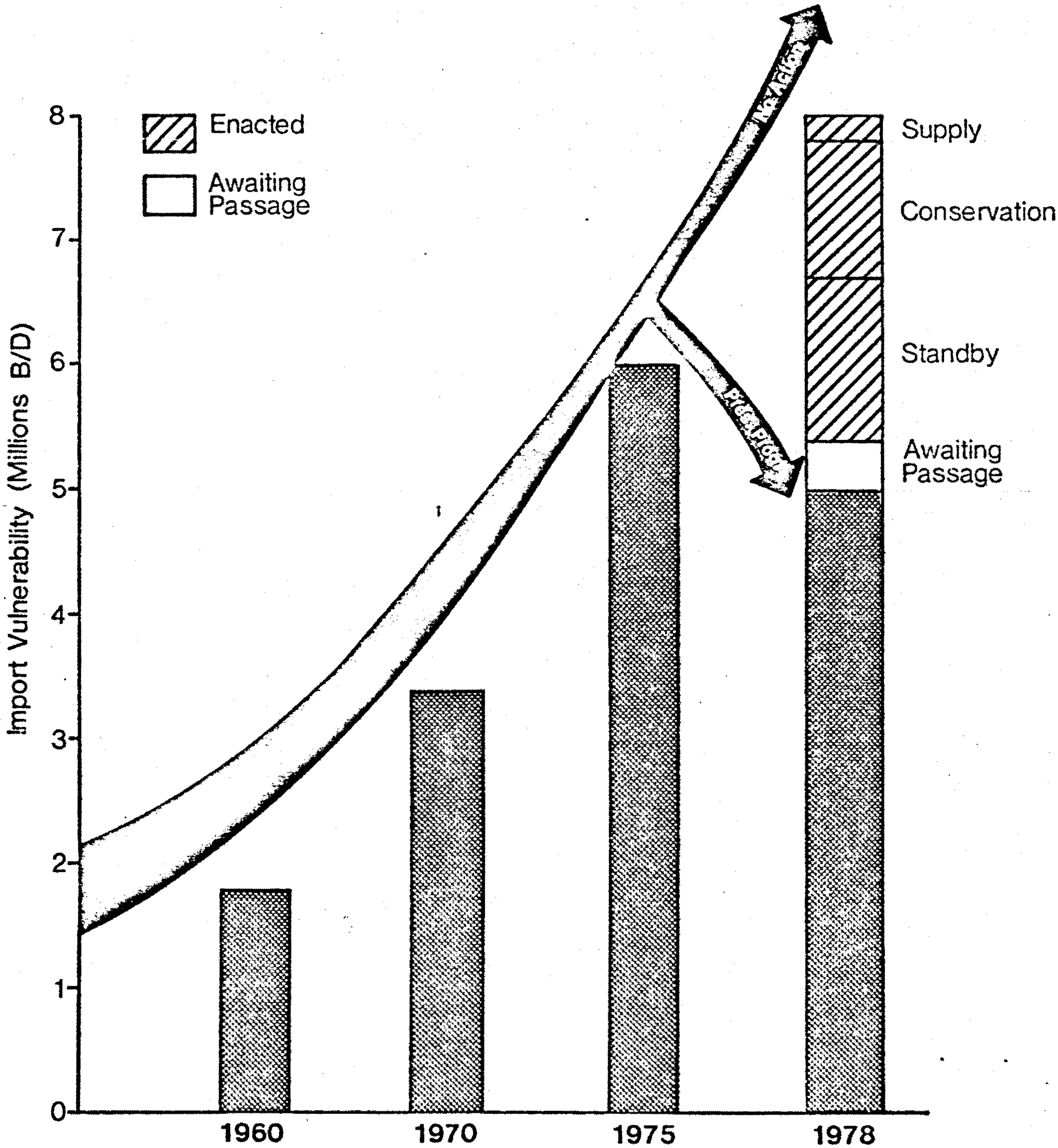


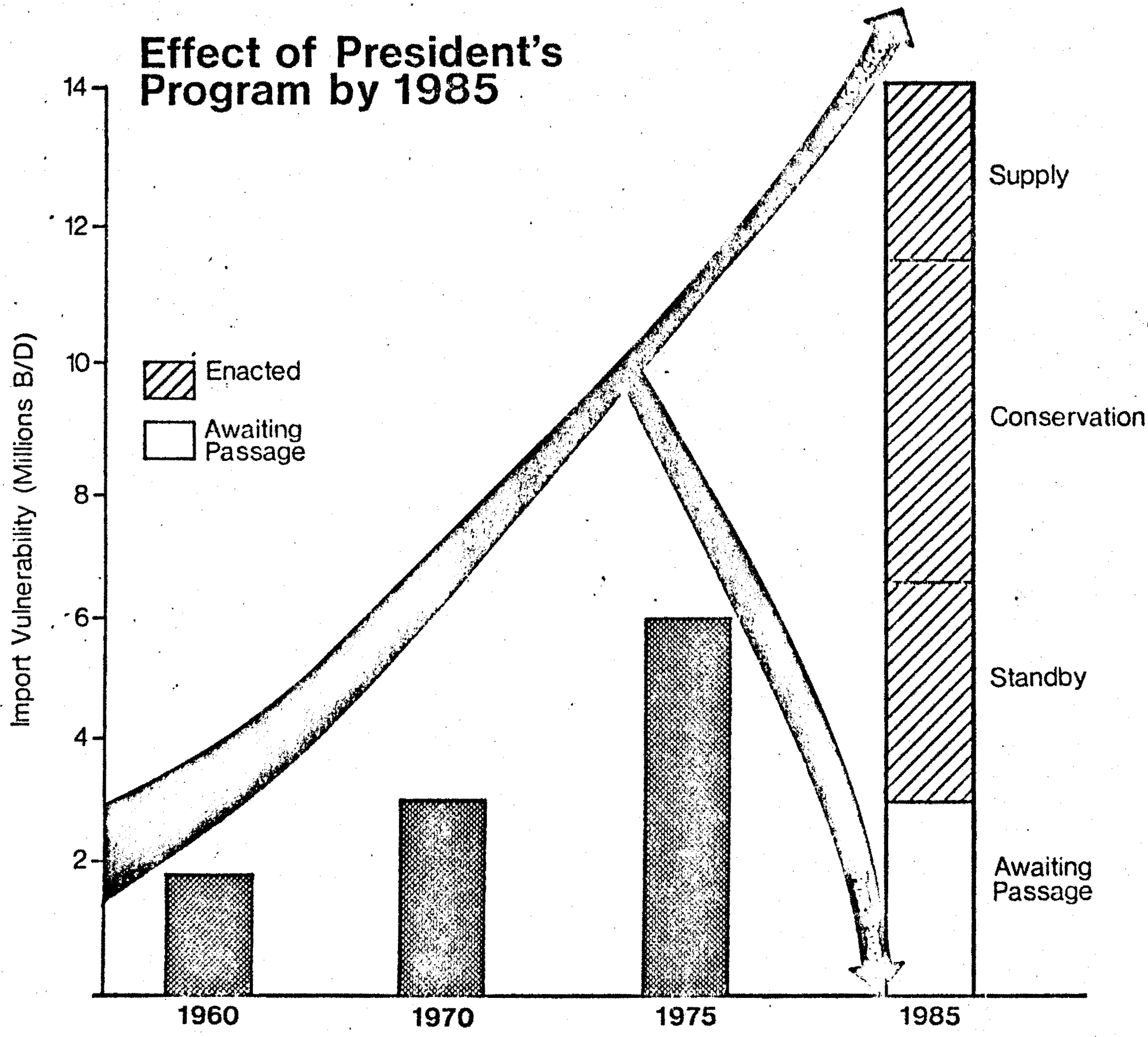

OIL

DEPENDENCE ON IMPORTS



Effect of President's Program




Effect of President's
Program by 1985
Import Vulnerability (Millions B/D)
14
12
10
8
6
4
2
Enacted
Awaiting
Passage
1960
1970
1975
1985
Supply
Conservation
Standby
Awaiting
Passage

Q Excuse me, the President won't be at that conference, right?

MR. NESSEN: No. This will be a two-day working meeting at Camp David to go through these issue papers and to evaluate the options the staff people have come up with and to develop a tentative set of recommendations. The leader of the meeting will be Frank Zarb.

The next step will be on Monday, December 16, when the work of that Camp David meeting will be presented to the Energy Resources Council. The Energy Resources Council will evaluate the various recommendations and alternatives and develop a final package of options on energy to be submitted to the President.

The President will get into the act between December 17 and 28, when the President and his staff will review the recommendations. On the decisions the President makes on the national energy policy, at this time my feeling is that they will probably be announced in the State of the Union message.

Q Will these recommendations be announced prior to that, not what he has finally come up with, but what recommendations?

MR. NESSEN: I don't believe so.

Q Ron, in outlining all of these discussions about options to be arrived at, you seem to be taking it for granted that the voluntary program of cutting back on energy use is not going to be adequate. Is that a fair interpretation?

MR. NESSEN: It may be just a little premature, Bob, but as I said the other day, although the figures are not very satisfactory in the form that they have been coming in in terms of oil imports and a new method of reporting imports we will announce here in just a couple of days, based on the admittedly incomplete and not entirely reliable figures, it does appear that the President's hopes for reducing oil imports are not being realized to the extent he hoped.

Q Where does that lead us specifically after that particular statement? Are you indicating mandatory controls are almost a certainty?

MR. NESSEN: No, Ralph. Here you have an extremely complicated system for developing an energy policy, and I think at this stage -- what has happened so far is that the staff people are now preparing papers on the problems and papers suggesting solutions, and those papers are not due in yet until a week from today. I think it is much too soon to say.

Ford's Energy Aides Prepare Report Outlining Measures to Make U.S. Less Dependent on Imported Oil

By EDWARD COWAN
Special to The New York Times

WASHINGTON, Dec. 16—President Ford's energy advisers put the finishing touches today to an "option paper" that outlined a combination of conservation and supply measures intended to make the United States less dependent on imported oil. Achievement of Mr. Ford's goal of a cut of oil imports of one million barrels a day by next autumn remained in doubt.

Some 20 advisers, including Cabinet officers, worked all weekend on the analysis at Camp David, the Presidential retreat in the mountains of Maryland. A number of participants described the two day-long sessions as fruitful and harmonious, but conceded that they had produced no important new ideas about how to cut energy use without aggravating the economic recession.

The advisers remained generally favorable to seeking an increase in the gasoline tax and using the billions of dollars of extra revenue to finance an income tax cut, which would stimulate the economy. Mr. Ford had repeatedly expressed strong opposition to such a step.

Most key planners continue to regard that as the best policy, although some are reported to share Mr. Ford's objection that Congress will not go along.

For the moment, the planners agreed informally, the tax option should be played down to avoid the appearance of subordinates constantly hammering at the President to reverse himself.

"All in all, Ford might turn around—but it's going to take a while," one planner said privately today. "He could be turned around but he's got to see for himself that it's the best option."

Some officials also expressed concern that Congress might allocate additional revenue for new "social programs" or permanent tax subsidies for energy-saving outlays by consumers, such as a tax credit on the purchase of storm windows or small, gasoline-efficient cars.

A comprehensive energy "option paper" is scheduled to be submitted to President Ford on Wednesday. There are indications that it will list but not urge a tax cut, an import quota and rationing as ways to reduce oil imports.

Mr. Ford's advisers are understood to be throwing their weight behind what one privately called "a tough, balanced program" that combines short-term conservation measures, mostly voluntary, with a variety of longer-term supply-development and conservation efforts to achieve energy independence by the mid-nineteen-eighties.

Also on Wednesday, Frank G. Zarb is expected to be sworn in as Federal energy administrator in a White House ceremoney, Mr. Zarb took the oath Friday evening in an unannounced ceremony in the office he has been using a an associate director of the Office of Management and Budget. A few senior officials of the Federal Energy Administration were present.

Officially Responsible

Mr. Zarb, when asksd, said he had arranged that oath taking for the day following his confirmation by the Senate, so that he would officially be responsible and empowered to issus directives.

The outgoing administrator, John C. Sawhill continued to serve in that post today, his last day on the job, in what Mr. Zarb indicated was a nominal capacity. On Sunday, Mr. Sawhill switched over from the regular payroll to status as a "counselor to the administrator," at the Government's maximum rate for consultants of $138 a day.

About 10 of the energy planners were accompanied by their wives at Camp David over the weekend. According to several accounts, the officials worked all day Saturday and, after dinner with their wives, continued the planning session until a late hour. Some returned to their homes Sunday afternoon and some remained to draft the report to the President.

The White House military office said that officials and wives paid for their meals at Camp David, which is run by the Navy. Typical charges, a spokesman said, were $3.50 to $4 "an average dinner—roast beef, steak or chicken," 75 cents for a whisky highball and $2.75 for a chef's salad at luncheon.

Neither officials nor wives are charged for overnight accommodations in the rustic-style cabins, the spokesman safd, because then the officials would be entitled to bill their respective agencies for out-of-town travel expenses.

The draft report to the President was reviewed this afternoon in Washington by the senior staff of the Energy Resources Council. Mr. Zarb is the council's executive director, and he will keep that job.

The council chairaan, Interior Secretary Rogers C. B. Morton, pledged the planners to secrecy and even in private they had little to say about the weekend's deliberations. One participant said there was a consensus on 80 per cent of the issues discussed.

Other Differences

In addition to tha tax issue, it was understood, there were differences about whether to decontrol all crude oil prices and simultaneously seek a new excess profits tax on oil producers. Somer officials prefer such measures, possibly combined with a higher tariff on crude oil, to direct intervention.

It was understood that the program to be outlined to Mr. Ford would have two central points. One would be short-term energy conservation measures, with emphasis initially on voluntary rather than mandatory actions.

The other would be long-trm supply-development actions, such as offshore oil drilling, and long-term energy-efficiency measures, such as rewriting of building codes, gradually replacing the 100 million cars on the road with more efficient models and wasting less heat and steam in industrial processes.

REMEMBER THE NEEDIEST!

THE WHITE HOUSE

WASHINGTON

Date 1/24/75

TO:

FROM: JERRY H. JONES

The attached is forwarded
for your information.

Ford Taxes
By R. Gregory Nokes
1/22/75

Associated Press
WASHINGTON AP

President Ford's plan to boost energy prices while reducing taxes would leave additional spending money in the pockets of the typical family of four earning $15,000 or less. Families above that income level will suffer a net loss.

But Americans in both categories would be committed under Ford's program to paying higher energy bills before the administration could assure them of extra money to pay them.

Ford said Tuesday he will officially order higher import fees on imported oil beginning at $1 a barrel on Feb. 1 and rising to $3 a barrel by April 1.

Treasury Department tax officials said Tuesday that each $1 of the import fee will add an average of about one cent to the price of a gallon of gasoline, home heating oil, and other products, rising to a total of three cents a gallon when the full fee is imposed.

One Treasury official estimated Tuesday night that a family of four with total income of $15,000 and below would receive a tax reduction greater than the increase in its energy bills.

He estimated the average energy bill would increase $250 under the program, although the increase would be lower for lower-income families and higher for higher-income families.

"Everybody below $15,000 will just be better off," said this official, who did not want to be named.

Several Democratic congressional leaders have asked Ford to delay the import fee plan until Congress can act.

Edgar R. Fiedler, assistant treasury secretary for economic affairs, said Americans may start paying the higher fuel prices within a few weeks, especially for such products as gasoline.

Ford has proposed a series of tax reductions for 1975 to offset the higher energy cost, but there is no guarantee Congress will approve these in the form he wants, or in the time he wants.

Part of the Ford program is to give taxpayers money to pay their higher energy bills through a series of permanent tax reductions. But Ford administration officials say the reductions will be of greatest benefit to lower income groups, and in this way will help make the nation's income tax more progressive.

For example, a family of four with $10,000 income would receive the biggest dollar tax saving, $349, considerably above the average $250 increase in a family's energy tax bill.

Families with income of $12,500 would still be ahead of the increased energy costs with tax savings of $300. But at $15,000 income, the tax savings would only be about $221 and the taxpayer would start falling behind.

About five million persons would be removed entirely from the tax rolls, and adults would have paid no tax at all would get a $80 annual payment from the government to offset their energy cost increases, which, at low-income levels, are estimated at about $44, officials say.

Treasury tax officials said House Speaker Carl Albert was incorrect when he compared tax rebates with higher energy bills during a Monday night broadcast response to Ford's economic address of last week. Albert had asked what good it would do a family to get a $75 to $100 tax rebate if its energy bill went up by $250 to $300.

The tax rebate is a separate Ford proposal to give taxpayers more money to spend to help end the current recession. The rebate proposal would give taxpayers a 12 per cent reduction in their 1974 taxes up to a maximum $1,000 on incomes over about $40,000.

The 1974 tax rebates, if approved, would be received in special treasury checks in May and September, while the tax reductions would be made retroactive to Jan. 1 of 1975 and would be accomplished through lower tax withholdings from paychecks.

For example, a family of four with about $10,000 income would get about $104 in a tax rebate for 1974, plus $349 in lower taxes in 1975, a total of $453.

A family with income of $15,000 would get a rebate of about $204 for 1974 and a reduction of $221 for 1975, a total of $425.

Tax officials said Albert was probably approximately correct when he said that 43 per cent of the 1974 rebate would go to the top 17 per cent of upper-income taxpayers.

"But this isn't what it seems," said the official. "People above $20,000 income - and that's basically the group he's calling rich - have paid above 50 per cent of the taxes and receive only 35 per cent of income. You can't just ignore them."

January 23, 1975

POINTS ON THE PRESIDENT'S PROGRAM

I. Basic new directions in the State of the Union proposals and actions

A. The economy

a. Temporary tax reduction

b. Moratorium on new Federal spending programs

1. Why tax reduction instead of higher spending?

a. Delays in mounting constructive Federal spending programs

b. Need for temporary, prompt stimulus in view of recession

c. Support purchasing power and give investment incentives to offset effects of inflation.

d. Place additional spending power in the hands of those who earn income.

2. Why tax reduction in view of the deficit?

a. Deficit is partly a result of reduced tax revenues during the recession

b. Deficit is also partly a result of temporarily higher outlays for programs such as unemployment insurance

c. Effects of temporary tax reduction on the deficit offset in part by healthier, quicker recovery

3. Why no new Federal spending programs?

a. New Federal spending programs would require higher taxes later to balance Federal budget.

b. It is necessary to encourage increased supply and higher output and employment to avoid higher taxes that have already been raised by inflation.

c. Unless Federal spending trends are brought under control, the Federal budget cannot be balanced after the economy recovers.

d. Continued large Federal budget deficits after the economy recovers will fuel inflation.

e. It is necessary to set a policy direction that will reduce inflation at the same time as a tax stimulus is provided to support recovery from recession.

B. Energy

1. What is the energy program?

   a. Tax increases on petroleum to cut usage, encourage conservation.

   b. Tax reduction and revenue distribution to offset higher costs and to support economic activity.

   c. Other actions to increase domestic supply and to conserve petroleum usage (energy fact sheet).

2. How do price increases encourage conservation?

   a. Encourages lower usage of <u>all</u> petroleum products.

   b. Directly impacts petroleum usage decisions, not indirectly like a tax on autos.

   c. Overall response to higher petroleum prices is sufficient to meet goals for energy independence.

3. Won't price increases for energy make consumers much worse off?

   a. All of the increase in revenues is returned to the economy (approximately $30 billion).

b. Consumers will be able to purchase less petroleum but more other goods and services.

c. If eventual rise in prices is larger than revenue increase, e.g. through wage escalators, consumer purchasing power is raised to compensate.

4. Why use price mechanism instead of rationing?

   a. There are no shortcuts; lower energy usage must occur either way.

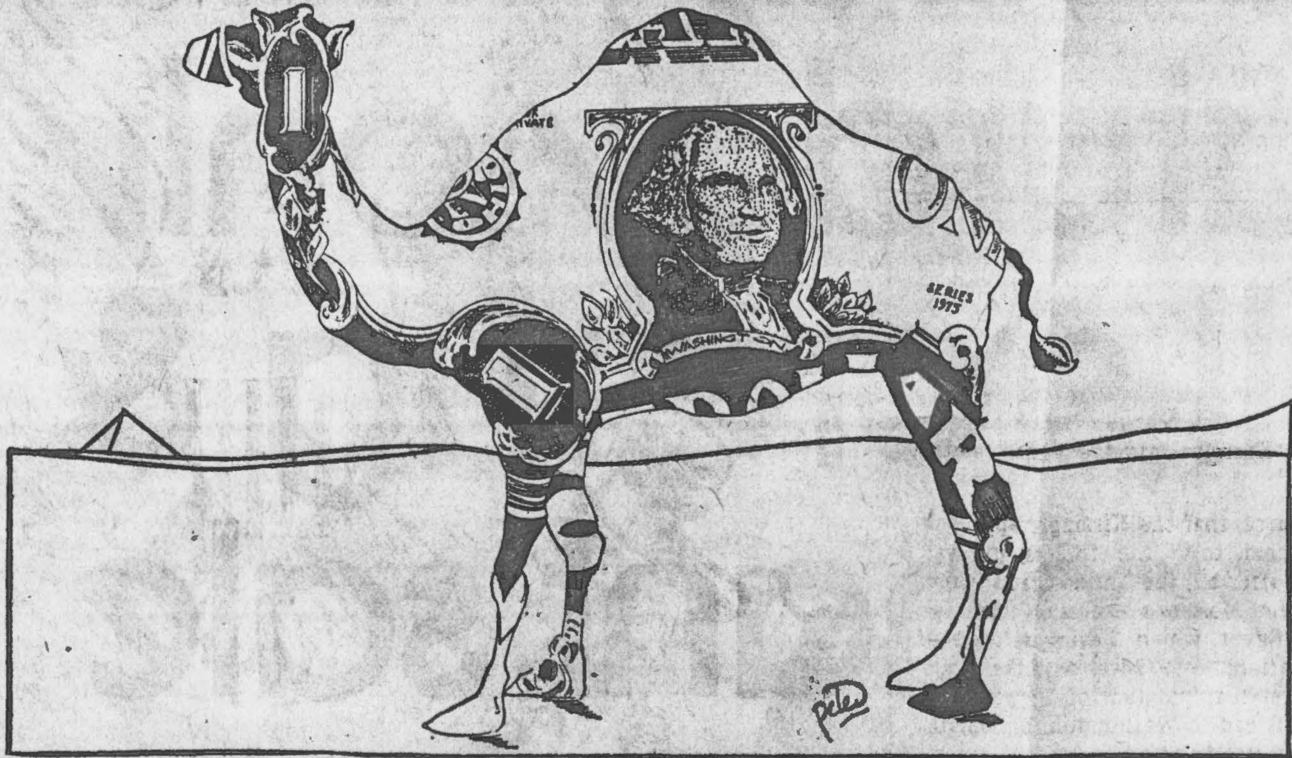
   b. In both cases, consumers will be able to buy less petroleum and more other goods.

   c. The real issue is how to allocate (distribute) available supplies of petroleum.

   d. Problems of fair distribution of energy to meet changing business and consumer needs and obtain maximum public participation by each user reacting to incentives.

Arthur Okun

Energy: Fallacies, Future Costs



By Peter Mikelbank—The Washington Post

Arthur Okun, a senior fellow at the Brookings Institution and chairman of the Council of Economic Advisers in the Johnson administration, testified on Feb. 5 before Sen. Frank Church's subcommittee on multinational corporations. The subject was oil and President Ford's energy program. The following excerpts are taken from the transcripts of the hearing.

Mr. Okun: I would like to try to clear up two fallacies that seem to be quite popular in different quarters these days. There is a recognition which is an accurate recognition, that the rise in oil prices was a major cause of the severe recession that we are having. And it is then inferred, inaccurately inferred, that some major change in world energy markets is necessary for us to have an economic recovery.

The second fallacy goes the other way, that, since we must stop the recession, and that requires an urgent effort of public policy, we can't afford to be diverted into an energy effort.

Neither of these is right.

The costs of the oil price rise seem at the present time to be largely behind us and it is true that the United States could end this recession in the present oil environment.

On the other hand, I would emphasize that the fact that we have to stop a recession does not keep us from engaging in an initiative to curb our oil imports. We can have an energy program and economic recovery, and I offer that as a fully considered and confident professional judgment.

I think it needs to be emphasized that this nation really can deal with more than one problem at a time.

So I agree fundamentally with the President's judgment — energy must be taken seriously in '75 and the reason is that monopolized oil, the world oil market, has unacceptable long-term consequences for the United States.

It seems to me that we have a num-

we knew a couple of months ago is perhaps some evidence that a larger amount of the oil surplus of 1974 was converted into the purchases of goods and services by the OPEC countries than was anticipated earlier...

Senator Church: May I ask at that point if you have had an opportunity to examine the reflow in the purchase of goods and services to determine what part of this reflow is composed of the purchase of military equipment, weapons?

Mr. Okun: I don't know the exact figures on that but I think that is an ex-

tude is and we have already indicated the great uncertainty of extrapolating it beyond the next year or two.

I think even countries with virtually unlimited borrowing capacity will be unwilling to incur the huge debt and debt service imposed by these large trade deficits.

The only way they can pay their oil bills is to cut their other imports to stimulate export, but that would merely be a process of passing the deficit around and that process of passing the deficit around would also spread an epidemic recession if it were allowed

tion, but it is a hard thing to accommodate to our political process.

Fourth, I point out the danger of proliferating cartels. Because the success of the oil cartel today is the envy of the world, many other producers of raw materials and supplies would love to copy the pattern. They are going to try, some will fail, some will succeed, but in the process the great benefits of a fundamentally competitive international trade could be seriously compromised. The U.S. will be sorely tempted to join that evil game.

Inevitably if this continues we will

are having. ... accurately inferred, that some major change in world energy markets is necessary for us to have an economic recovery.

The second fallacy goes the other way, that, since we must stop the recession, and that requires an urgent effort of public policy, we can't afford to be diverted into an energy effort.

Neither of these is right.

The costs of the oil price rise seem at the present time to be largely behind us and it is true that the United States could end this recession in the present oil environment.

On the other hand, I would emphasize that the fact that we have to stop a recession does not keep us from engaging in an initiative to curb our oil imports. We can have an energy program and economic recovery, and I offer that as a fully considered and confident professional judgment.

I think it needs to be emphasized that this nation really can deal with more than one problem at a time.

So I agree fundamentally with the President's judgment — energy must be taken seriously in '75 and the reason is that monopolized oil, the world oil market, has unacceptable long-term consequences for the United States.

"It seems to me that we have a number of sizable costs that we must face over time as long as the status quo is maintained. The first of these is the financial aid that we will be asked for, from other industrial countries and from some of the developing countries. It is no surprise that countries could borrow to pay their oil bills for the first year. It will be much more surprising, it seems very doubtful, they will be able to continue this for very long. It is no surprise that a good many of the oil-importing developing countries are able to get aid from the OPEC countries themselves, but some of them can't and they will look to us as an aider of last resort. I think we have to expect more pleas and more pressures for aid in cash and capital and food from the countries whose real problems will be their inability to handle their oil bills.

Incidentally, in the last few weeks we have seen a number of extremely optimistic forecasts, very different from any previous forecasts, on just what the magnitude will be of oil surpluses in the years ahead. The only thing we know differently today than we knew a couple of months ago is perhaps some evidence that a larger amount of the oil surplus of 1974 was converted into the purchases of goods and services by the OPEC countries than was anticipated earlier...

Senator Church: May I ask at that point if you have had an opportunity to examine the reflow in the purchase of goods and services to determine what part of this reflow is composed of the purchase of military equipment, weapons?

Mr. Okun: I don't know the exact figures on that but I think that is an extremely valid point to raise ...

Senator Church: I think that we are embarked upon a policy of selling a big war in that part of the world and to justify such a policy on the grounds that we needed to sell these expensive weapons in order to earn money enough to buy more oil. It seems to me to be a very shortsighted view.

Mr. Okun: I think that is a very real concern.

Senator Church: I would like to ask the staff, I would appreciate it if you would make an effort to find out what part of the imports of goods and services now flowing into that part of the world is made up of the sale of military weapons . . . please proceed.

Mr. Okun: I think the second cost that one must associate with any continuation of status quo is the acceptance of large trade deficits by the United States for a considerable period. Whatever the OPEC trade surplus, the counterpart of that, the mirror image of that, is a trade deficit of the rest of the world of equal size. I think, for the near term, $70 billion is a good estimate of what that magnitude is and we have already indicated the great uncertainty of extrapolating it beyond the next year or two.

I think even countries with virtually unlimited borrowing capacity will be unwilling to incur the huge debt and debt service imposed by these large trade deficits.

The only way they can pay their oil bills is to cut their other imports to stimulate export, but that would merely be a process of passing the deficit around and that process of passing the deficit around would also spread an epidemic recession if it were allowed to happen.

That doesn't have to happen. Through coordinated action, the oil-consuming countries can agree to accept and allocate the collective trade deficit. But the point is that in any mutually acceptable allocation, I suspect that the United States will have to agree to take a very large share because we can handle it—maybe as large as our oil bill—and that isn't the end of the world. But it would take an extraordinary accommodation of U.S. political attitudes to accept such trade deficits and not get the kind of mercantilist, protectionist reaction at home that has so often occurred when we did run a trade deficit.

Third, I think it is important to recognize that subtle influence of the OPEC oil tax, if you will, on our ability to balance our own federal budget. As long as OPEC is draining $120 billion or more out of the U.S. spending stream, we are going to need a federal deficit of substantial size to have any hope of regaining prosperity. That again isn't the end of the world and it is a lesser evil than economic stagnation, but it is a hard thing to accommodate to our political process.

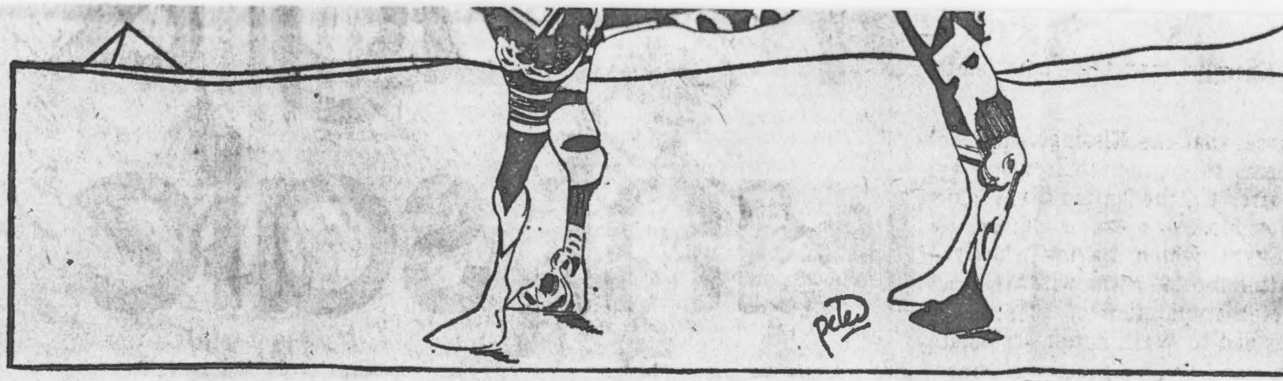
Fourth, I point out the danger of proliferating cartels. Because the success of the oil cartel today is the envy of the world, many other producers of raw materials and supplies would love to copy the pattern. They are going to try, some will fail, some will succeed, but in the process the great benefits of a fundamentally competitive international trade could be seriously compromised. The U.S. will be sorely tempted to join that evil game.

Inevitably, if this continues, we will wind up negotiating with Canada and Australia, for example, to form OGEC, the Organization of Grain Exporting Countries, in self-defense. That would be a dreadful move for us to take.

Fifth, I want to comment on the potential cost of further price increases. If the oil-consuming nations continue to respond passively, if private forces of supply and demand remain relatively sluggish and unresponsive, the cartel will clearly be emboldened to raise its prices again and again.

I emphasize this because there has been frequent criticism of President Ford's program that by raising the price of oil to ourselves we would provide justification for OPEC to raise its price further. I have got lots of criticism of President Ford's program but that one is totally unfounded.

OPEC isn't loking for justifications; it is looking for maximum profits, and if we show a greater response by cutting the demand in response to the high prices, we will put downward and not upward pressure on OPEC prices. It is doing nothing that encourages high oil prices.



By Peter Mikelbank—The Washington Post

May 27, 1975

MEMORANDUM FOR THE PRESIDENT
DON RUMSFELD
BOB HARTMANN
JACK MARSH
MAX FRIEDERSDORF

FROM: RON NESSEN

My notes from a meeting of February 28, 1975, with Democratic Congressional leaders on the President's energy program, show the following quotations which may be of some help in the days ahead:

Senator Pastore:

"If we can't come up with something in 60 days, we can't come up with something (at all)."

"I don't see how we can ask the President to do more than postpone the second dollar for 60 days. If we don't come up with a program by then, you can put it on."

Speaker Albert:

"It's not fair to ask you to make a decision until you've studied our plan. Just hold off the second dollar until you have studied it."

Congressman McFall:

"If the goal of the import tariff was to get the mule's attention, you've got the mule's attention."

Given to GF by Mary Louise Smith

10 Sept 1975

RESOLUTION of GOP Nat. Com.

WHEREAS, The Democrats hold substantial majorities in both houses of the Congress, and,

WHEREAS, President Gerald R. Ford has presented to the Congress programs and messages aimed at insuring this nation's energy self sufficiency as well as programs on a variety of other matters of both foreign and domestic conern, and,

WHEREAS, The Democrat leaders of Congress appear either unwilling or unable to organize and administer their affairs so as to either act upon the Adminstration's proposals or present suitable alternative programs, and,

WHEREAS, Instead, the Democrat members of Congress with or without the support of their nominal leaders, appear more concerned with passing spending programs which will inevitably increase inflationary pressures and the size and reach of the federal bureaucray,

THEN THEREFORE BE IT RESOLVED That the Republican National Committee calls upon the Deomcrat leaders of the Congress to get their own houses in order, and cease passing measures guaranteed to further fuel inflation and either act in a fiscally responsible manner or respond reasonably to the Administration's programs.

RESOLUTION

WHEREAS, In the short period of just over one year, President Gerald R. Ford has lifted the spirits of all Americans and set an example for all through his strong and true leadership for our nation, and

WHEREAS, He has reestablished in the minds of the American people trust in the Presidency;

NOW THEREFORE BE IT RESOLVED That the Republican National Committee expresses its profound admiration for and support of, his presidency, and for his full support of the free enterprise system and the concepts of personal freedom and responsibility, a strong national defense posture, and our individual liberties as citizens.

RESOLUTION

WHEREAS:

President Gerald R. Ford and Vice President Nelson A. Rockefeller are giving our nation great leadership and are also giving the strongest possible support to the Republican Party and its candidates at every level,

THEREFORE BE IT RESOLVED:

that the Republican National ~~Convention~~ Committee expresses its deep appreciation to them both, and,

BE IT FURTHER RESOLVED:

that the Republican National ~~Convention~~ Committee firmly supports and endorses the President's decision to conduct his campaign through the Republican National Committee and Republican organizations around the country.

RESOLUTION

WHEREAS, Mrs. Gerald R. Ford and Mrs. Nelson A. Rockefeller are giving strong support to the President and Vice-President, and

WHEREAS, They are helping them set such a magnificent example for the rest of the nation,

THEREFORE BE IT RESOLVED That the Republican National Committee expresses its admiration for and conveys its warmest and highest regards to Mrs. Gerald R. Ford and Mrs. Nelson A. Rockefeller.