

**The original documents are located in Box 129, folder “Jan. 30, 1974 - Speech, NAM/National Chamber Business-Government Workshop on Energy, Washington, DC” of the Gerald R. Ford Vice Presidential Papers at the Gerald R. Ford Presidential Library.**

**Copyright Notice**

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

NAM/NATIONAL CHAMBER BUSINESS-GOVERNMENT  
WORKSHOP ON ENERGY, WASHINGTON-HILTON HOTEL,  
8:50 A.M., WEDNESDAY, JANUARY 30, 1974

IT IS A GREAT PLEASURE TO JOIN YOU  
HERE THIS MORNING.



I WANT TO COMMEND THE NATIONAL CHAMBER  
AND THE NATIONAL ASSOCIATION OF MANUFACTURERS  
FOR HOLDING THIS IMPORTANT WORKSHOP ON THE  
ENERGY PROBLEM. THIS CHALLENGE WILL BE WITH

US FOR AS LONG AS WE CAN SEE IN THE FUTURE,  
AND ONE OF THE BEST MEANS OF COPING WITH IT  
IS THROUGH EXCHANGES SUCH AS THIS ON THE  
LATEST DEVELOPMENTS.



YOU'LL BE HEARING ABOUT THESE  
DEVELOPMENTS TODAY FROM AN ALL-STAR CAST  
REPRESENTING BOTH THE PUBLIC AND PRIVATE  
SECTORS. I AM GLAD TO SEE THAT TWO OF MY

DISTINGUISHED COLLEAGUES ON THE HILL WILL BE HERE: SENATOR RANDOLPH AND CONGRESSMAN HOSMER. AND FROM THE EXECUTIVE DEPARTMENT WILL BE SECRETARY DENT, BILL SIMON, AND OTHER DISTINGUISHED SPEAKERS.



FOR MY PART, I SHOULD LIKE TO REVIEW THE OVERALL CHALLENGES FACING BUSINESS AND GOVERNMENT THIS YEAR. MANY OF THE PROBLEMS INVOLVED RELATE TO THE ALL-PERVASIVE ENERGY CRISIS, OF COURSE, BUT OTHERS ARE OF A SPECIAL NATURE.



I WANT TO EMPHASIZE ESPECIALLY THAT  
THE END OF THE OIL EMBARGO -- A HAPPY  
DEVELOPMENT WE HOPE TO SEE SOON -- WILL  
NOT MEAN THE END OF THE ENERGY PROBLEM.  
WE MUST STILL PUSH VIGOROUSLY AHEAD WITH  
OUR CONSERVATION EFFORTS AND OUR DETERMINATION  
TO ACHIEVE ENERGY SELF-SUFFICIENCY. AMERICA  
MUST NEVER AGAIN BE SUBJECTED TO THE THREAT  
OF AN ENERGY BOYCOTT.



- 5 -

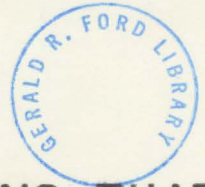
NOW, I WAS TALKING TO HERB STEIN  
YESTERDAY AND ASKED HIM IF HE HAD A MESSAGE  
ABOUT THE ECONOMY FOR YOU HERE TODAY.



HE SAID, "TELL THEM THAT CHICKEN  
LITTLE IS A LIAR."

YOU'LL RECALL THAT CHICKEN LITTLE  
WAS HIT ON THE HEAD BY AN ACORN AND THEN  
RAN AROUND TELLING EVERYONE THE SKY WAS  
FALLING.

I THINK WE CAN BE CONFIDENT THAT  
THE SKY IS INDEED STILL THERE, AS LIMITLESS  
AS EVER FOR THIS COUNTRY.



THIS SAID, THERE IS NO DENYING THAT  
IN THE PAST FEW MONTHS WE HAVE BEEN BANGED  
ON THE HEAD BY A COUPLE OF VERY BIG ACORNS.  
THEY ARE THE ENERGY SHORTAGE AND THE SOARING  
COST OF ENERGY.



AND THEY HAVE HURT. THEY'VE HURT  
JOBS, PRODUCTION, AND INCOME. THEY HAVE  
CAUSED INCONVENIENCES AND DISCOMFORTS FOR  
OUR PEOPLE. THEY ARE EXERTING STRONG  
INFLATIONARY PRESSURES ON THE ECONOMY. THEY  
ARE TEMPORARILY SLOWING ECONOMIC GROWTH.  
AND IN THE INTERNATIONAL ARENA, THEY WILL  
AFFECT TRADE AND THE MONETARY SITUATION.





BUT WHILE THESE LUMPS HAVE HURT--  
AND MAY HURT SOME MORE -- WE HAVE COME  
THROUGH THIS INITIAL PERIOD IN REMARKABLY  
GOOD SHAPE. FOR THIS, WE CAN THANK THE  
AMERICAN PEOPLE AND THE AMERICAN BUSINESS  
COMMUNITY. THEIR GOOD SENSE, THEIR  
COOPERATIVE EFFORTS HAVE ENABLED US TO TAKE  
QUICK AND DECISIVE ACTION TO MINIMIZE THE  
EFFECTS OF THE IMMEDIATE CRISIS AND TO  
PREPARE FOR LONG-TERM SOLUTIONS.



IF WE KNOW ANYTHING, WE KNOW THAT THIS PROBLEM WILL BE NEITHER OF SHORT DURATION NOR NARROWLY LIMITED IN ITS EFFECTS. IT STRETCHES, FOR AMERICA AND THE WHOLE WORLD, BEYOND THIS DECADE AND POSSIBLY INTO THE NEXT CENTURY, AND ALMOST CERTAINLY UNTIL SCIENCE AND TECHNOLOGY UNLOCK NEW SECRETS AND SOURCES OF ENERGY.



IN OUR COUNTRY, THE PROBLEM WILL BRING SOME PROFOUND CHANGES IN OUR NATIONAL LIFE. IT WILL REORDER SOME OF OUR ECONOMIC PRIORITIES. IT WILL CHANGE PATTERNS OF ECONOMIC GROWTH. IT WILL ALTER OUR MODES OF TRANSPORTATION. IT WILL AFFECT WHERE WE LIVE AND WORK. IT WILL CHANGE OUR ARCHITECTURE. IT WILL PUT A NEW PREMIUM ON EFFICIENCY IN MARKETING AND DISTRIBUTION. AND IT WILL ADD TO THE URGENCY TO ACHIEVE SUSTAINED INCREASES IN PRODUCTIVITY IN ALL INDUSTRIES.





TOGETHER, THESE DEVELOPMENTS POSE CHALLENGES FOR BUSINESS UNEQUALED SINCE WORLD WAR II. AND NOT SINCE THAT CONFLICT HAS AMERICA SO BADLY NEEDED THE DIVERSE CAPABILITIES THAT ONLY BUSINESS CAN PROVIDE IN MEETING THESE CHALLENGES.







AMERICA NEEDS YOUR EXPERTISE IN BRINGING TOGETHER HUMAN SKILLS, MATERIAL RESOURCES, CAPITAL, AND SCIENCE AND TECHNOLOGY, IN ENTERPRISES THAT ADD TO THE WELL-BEING OF OUR PEOPLE. WE NEED YOUR ORGANIZATIONAL AND MANAGERIAL ABILITIES. WE NEED YOUR INNOVATIVE SPIRIT, YOUR WILLINGNESS TO TAKE RISKS. AND LAST, BUT FAR FROM LEAST, WE NEED YOUR ABILITY TO MAKE A PROFIT, A FAIR PROFIT, A HEALTHY PROFIT.

BUSINESS MUST PROFIT BECAUSE PROFIT  
IS REQUIRED:

- FOR RESEARCH AND DEVELOPMENT OF  
NEW PRODUCTS;
- FOR EXPLORATION FOR NEW RAW  
MATERIALS;
- FOR EXPANSION OF FACILITIES THAT  
PROVIDE MORE JOBS AND LOWER PRICES  
THROUGH INCREASED PRODUCTION; AND
- AS A REWARD TO INVESTORS WHO HAVE  
RISKED THEIR SAVINGS IN AN ENTERPRISE.



BUT THE PROPAGANDA THAT'S ABROAD  
IN THE LAND ON THE SUBJECT OF PROFIT DOESN'T  
MENTION THESE THINGS.



INSTEAD, PROFIT IS PICTURED AS A  
RIP-OFF. IT'S DENOUNCED AS EXPLOITATION,  
IT'S HELD UP AS SOMETHING THE BAD GUYS  
STEAL FROM THE GOOD GUYS.



IN MY VIEW, THE PEOPLE WHO ARE HAMMERING THESE NOTIONS INTO THE NATIONAL CONSCIOUSNESS ARE PLAYING A DANGEROUS GAME. CARRIED TO ITS ULTIMATE CONCLUSION, IT CAN LEAD ONLY TO A CENTRALLY PLANNED ECONOMY. INSTEAD OF A FREE MARKETPLACE, WE WOULD HAVE ONE DICTATED TO BY A MONOLITHIC BUREAUCRACY.





BUT ON THIS SUBJECT OF PROFIT, I WANT TO BE VERY BLUNT ABOUT THE KIND OF JOB THAT I THINK BUSINESS HAS DONE IN HELPING THE AMERICAN PEOPLE UNDERSTAND WHAT PROFIT IS ALL ABOUT. YOU HAVEN'T DONE THE JOB. NO WONDER THE CRITICS HAVE THE FLOOR ALL TO THEMSELVES.



HOW MUCH EFFORT FOR EXAMPLE, HAVE YOU PUT INTO EXPLAINING TO THE AMERICAN PEOPLE THE AMOUNT OF INVESTMENT REQUIRED TO GENERATE JUST ONE--ONE MORE JOB IN THIS GREAT ECONOMY? I KNOW THAT IN THE MANUFACTURE OF MOTOR VEHICLES IN MY STATE OF MICHIGAN, IT TAKES \$22,600 TO CREATE A JOB. HAVE YOU EVER EXPLAINED THAT MUCH OF THIS MONEY COMES FROM THE PROFIT A COMPANY MAKES? HOW MANY PEOPLE DO YOU THINK KNOW AND APPRECIATE THIS FACT?



AGAIN, HOW MUCH EFFORT HAVE YOU PUT INTO CORRECTING THE PUBLIC'S MISCONCEPTION OF THE AMOUNT OF PROFIT COMPANIES EARN? A SURVEY BY OPINION RESEARCH CORPORATION LAST FALL SHOWS THAT THE PUBLIC BELIEVES THAT THE AVERAGE MANUFACTURER MAKES 28 CENTS OF EVERY DOLLAR OF SALES AFTER TAXES. THE REAL FIGURE IS SLIGHTLY OVER 4 CENTS.



DON'T YOU OWE IT TO BUSINESS AND THE FUTURE OF AMERICA TO HELP CORRECT THIS MISTAKEN IMPRESSION?



I SHOULD MAKE VERY CLEAR, HOWEVER,  
THE ADMINISTRATION'S POSITION ON THE  
SUBJECT OF WINDFALL PROFITS BY THE OIL  
COMPANIES IN THE CURRENT SITUATION.



OUR POLICY IS TO ENCOURAGE THESE  
FIRMS TO INCREASE DOMESTIC PRODUCTION OF  
OIL AND GAS IN ORDER TO REDUCE THE NATION'S  
RELIANCE ON FOREIGN SOURCES OF SUPPLY. TO



MAKE THE ENORMOUS CAPITAL INVESTMENTS  
REQUIRED FOR EXPLORATION AND DEVELOPMENT  
OF NEW RESERVES, THEY MUST BE ABLE TO EARN  
A FAIR PROFIT. AND WE WANT A PRICE STRUCTURE  
THAT ACHIEVES THIS END.



BUT WE WILL NOT TOLERATE PRICE GOUGING  
IN ANY FORM. WE WILL NOT PERMIT ANY COMPANY  
TO PROFIT FROM THE SACRIFICES OF THE AMERICAN  
PEOPLE. IT WOULD BE UNCONSCIONABLE. WE  
WILL NOT ALLOW IT.

THIS DETERMINATION IS WHAT LIES  
BEHIND PRESIDENT NIXON'S CALL FOR A  
WINDFALL PROFITS TAX. THE TAX WILL RETRIEVE  
THE PROFITS THAT MAY OCCUR AS A RESULT OF  
RAPIDLY RISING PRICES DUE TO THE ENERGY  
SHORTAGE. IT WILL IN NO WAY DISCOURAGE  
PRODUCTION BUT WILL WORK TO INCREASE SUPPLIES  
IN THE LONG RUN. IT IS A GOOD PROPOSAL  
AND I HOPE FAIR-MINDED BUSINESSMEN WILL  
SUPPORT IT.



I ALSO WANT TO SPEAK PLAINLY ABOUT SOMETHING ELSE. IT MAY NOT BE THE POPULAR THING TO SAY IN THE CURRENT ATMOSPHERE, BUT I'M GOING TO SAY IT.



I DO NOT BELIEVE THE OIL COMPANIES SHOULD BE MADE THE SCAPEGOAT IN THIS ENERGY CRISIS. I DON'T MEAN I'M HOLDING THE OIL COMPANIES UP AS PARAGONS OF VIRTUE. I AM SAYING THAT THERE IS BLAME ENOUGH TO GO AROUND FOR EVERYBODY. THAT INCLUDES GOVERNMENT, BUSINESS, AND THE CONSUMING PUBLIC.



WE SHOULDN'T BE SPINNING OUR WHEELS  
LOOKING FOR SCAPEGOATS. WE SHOULD BE GETTING  
ON WITH THE MONUMENTAL TASK OF WORKING  
OURSELVES OUT OF THIS CORNER. WE NEED ALL  
THE HELP FROM BUSINESS THAT WE CAN GET,  
AND I'M HERE TO CALL FOR IT. THE AMERICAN  
PEOPLE WILL ACCEPT NOTHING LESS THAN BUSINESS'  
FULL COOPERATION. I AM CONFIDENT THEY WILL  
GET IT.



- 24 -

NOW LET ME TURN TO SOMETHING THAT I  
KNOW IS OF CRITICAL INTEREST TO ALL  
BUSINESSMEN: WAGE AND PRICE CONTROLS.



YOU KNOW AND I KNOW THAT CONTINUED  
INFLATIONARY PRESSURES COULD LEAD SOME  
PEOPLE TO ADVOCATE THE OLD STRAITJACKET  
APPROACH TO MANAGING THE ECONOMY. ALREADY  
WE'RE HEARING CALLS FOR ARTIFICIALLY LOW  
PRICES ON FUEL. I CAN ASSURE YOU THIS  
ADMINISTRATION BELIEVES THAT THE BEST

COURSE IN THIS YEAR OF ADJUSTMENT IS TO MAINTAIN AS MUCH FLEXIBILITY AS POSSIBLE. SO WE'RE GOING TO RELY MAINLY ON THE FREEDOM THAT PROMOTES PRODUCTION INSTEAD OF THE CONTROLS THAT PRODUCE SHORTAGES.



AS YOU KNOW, JOHN DUNLOP HAS ALREADY TAKEN STEPS TO LIFT CONTROLS IN A NUMBER OF SIGNIFICANT AREAS. I ANTICIPATE THAT WE WILL CONTINUE TO MAINTAIN THIS SAME DIRECTION OF SELECTIVE DECONTROL.



NOW, OUR CHALLENGES HERE AT HOME ARE  
~~MATCHED~~--SOME WOULD SAY MORE THAN MATCHED--  
BY THE CHALLENGES WE FACE IN THE INTERNATIONAL  
ECONOMY. WHAT HAS US CONCERNED IS NOT JUST  
THE OIL EMBARGO BUT THE MAGNITUDE OF THE  
FINANCIAL PROBLEM CAUSED BY ESCALATING OIL  
PRICES IN RECENT MONTHS.



THE ENTIRE WORLD ECONOMY IS  
THREATENED WITH A RISING PRICE SPIRAL

- 27 -

THAT COULD PLAY HAVOC WITH TRADE, INVESTMENT,  
AND THE INTERNATIONAL MONETARY SYSTEM.

THIS IS WHY PRESIDENT NIXON HAS  
CALLED AN INTERNATIONAL CONFERENCE OF MAJOR  
OIL-CONSUMING NATIONS HERE IN WASHINGTON



FEBRUARY 11 TO DISCUSS THE PROBLEM. LATER, WE HOPE TO DEVELOP COOPERATIVE SOLUTIONS ON BOTH SUPPLY AND PRICING PROBLEMS WITH THE OIL-PRODUCING NATIONS.



WHATEVER THE DETAILS OF THE FINAL SOLUTION, THERE'S NO QUESTION THAT THE WORLD MARKET PRICE OF OIL WILL BE HIGHER THAN IT WAS BEFORE. THIS WILL MEAN A DRIVE BY MANY NATIONS TO INCREASE EXPORTS IN ORDER TO OFFSET THE HIGHER COSTS OF THEIR OIL IMPORTS.



AND FOR AMERICAN BUSINESS, THIS POSES ANOTHER CHALLENGE. WE NEED TO CONTINUE THE OUTSTANDING RECORD OF EXPORT EXPANSION ACHIEVED IN 1973. EXPORTS LAST YEAR ROSE 40 PERCENT OVER THOSE OF 1972. OUR MERCHANDISE TRADE BALANCE WAS IN THE BLACK FOR THE FIRST TIME SINCE 1970. WE CAN'T EXPECT TO CHALK UP SUCH HEFTY INCREASES INDEFINITELY, BUT WE DO NEED TO GET OUR FAIR SHARE OF THE GROWING WORLD MARKET.



TO DO THIS, BUSINESS MUST GET A FAIR SHAKE IN THAT MARKET. AND THAT'S WHAT THE ADMINISTRATION'S BILL NOW BEFORE THE CONGRESS WILL HELP DO. IT WILL ENABLE THE PRESIDENT TO FURTHER AMERICA'S INTEREST IN FREER TRADE. IT PROVIDES FOR AUTHORITY TO REACT AGAINST UNFAIR TRADE PRACTICES BY OTHER COUNTRIES. AND IT WILL HELP OPEN EVEN WIDER THE OPPORTUNITIES FOR EAST-WEST TRADE. AT THIS TIME EACH YEAR, WHEN THE ANNUAL RITES OF FORECASTING ARE IN FULL SWING, I AM REMINDED





OF SOMETHING JUSTICE OLIVER WENDELL HOLMES  
SAID:

"EVERY YEAR, IF NOT EVERY DAY, WE HAVE  
TO WAGER OUR SALVATION UPON SOME PROPHECY  
BASED UPON IMPERFECT KNOWLEDGE."

AT THIS BEGINNING OF 1974, THE  
UNKNOWN--AND THE UNKNOWABLES--SEEM  
PARTICULARLY NUMEROUS. BUT WHEN IT COMES  
TO WAGERING ON THE SUCCESS OF AMERICA, WE  
CAN BE CONFIDENT THAT WE HAVE THE SUREST  
BET IN THE WORLD.





WHAT OTHER NATION HAS OUR MANUFACTURING  
CAPACITY, EFFICIENCY OF AGRICULTURAL P  
PRODUCTION, SCIENCE AND TECHNOLOGY, AND  
CAPITAL RESOURCES?

OUR BUSINESSMEN WROTE THE BOOK ON  
MANAGEMENT AND ORGANIZATION OF MODERN  
INDUSTRY. AND OUR LABOR FORCE IS THE MOST  
SKILLED AND BEST EDUCATED IN THE WORLD.



IN THE FIELD OF ENERGY, WE PRODUCE MORE THAN 85 PERCENT OF OUR NEEDS FROM DOMESTIC SOURCES. FOR THE FUTURE, WE ARE GOING AFTER SOME 140 BILLION BARRELS OF OIL ON THE OUTER CONTINENTAL SHELF, IN THE SHALE OF THE ROCKY MOUNTAINS, AND FROM THE NORTH SLOPE OF ALASKA.

WE'RE GOING AFTER THE BILLIONS OF TONS OF COAL THAT REPRESENT HALF THE WORLD'S



SUPPLY. WE'RE GOING TO BUILD ON OUR NUCLEAR CAPABILITY, WHICH IS UNMATCHED IN THE WORLD. AND WE ARE MARSHALLING SOME OF OUR FINEST SCIENTISTS AND ENGINEERS IN THE SEARCH FOR NEW SOURCES OF ENERGY.

IT COMES DOWN TO THIS: WHAT OTHER NATION IN THE WORLD WOULD YOU RATHER BET ON IN 1974?

ONLY IN AMERICA WILL YOUR BET BE AS SAFE.





**ASSOCIATION  
NATIONAL AFFAIRS  
CONFERENCE**



**NAM/National Chamber  
BUSINESS-GOVERNMENT  
WORKSHOP ON ENERGY**

**January 29-30, 1974  
Washington Hilton Hotel,  
Washington, D.C.**

# PROGRAM

## TUESDAY, JANUARY 29, 1974

4:00 p.m. to 8:00 p.m.

**REGISTRATION**, Concourse Level

6:00 p.m. to 8:00 p.m.

**RECEPTION**, Jefferson-Lincoln Room

Guests to include officials from the Federal Energy Office, U.S. Department of Commerce, Environmental Protection Agency.

## WEDNESDAY, JANUARY 30, 1974

7:00 a.m. to 3:00 p.m.

**REGISTRATION**, Concourse Level

8:00 a.m. to 9:15 a.m.

**BREAKFAST**, International Ballroom

### PRESIDING

**E. Douglas Kenna**, President  
National Association of Manufacturers

### ADDRESS

**The Honorable Gerald R. Ford**  
Vice President of the United States

9:30 a.m. to 11:30 a.m.

**MORNING SESSION**, Jefferson-Lincoln Room

### PRESIDING

**Arch N. Booth**, Chief Executive Officer  
Chamber of Commerce of the United States

### "PUBLIC POLICY ROUND TABLE"

### PANEL MEMBERS

**Senator Jennings Randolph** (D-W. Va.)  
**Representative Craig Hosmer** (R-Calif.)  
**John R. Quarles, Jr.**, Deputy Administrator,  
Environmental Protection Agency  
**Stephen A. Wakefield**, Assistant  
Administrator for International Policy and  
Programs, Federal Energy Office

### MODERATOR

**Clyde W. LaMotte**, Energy and Environmental  
Writer; President, National Press Club

NOTE: Please use cards provided to submit  
questions to the panel.

11:45 a.m. to 12:30 p.m.

**COCKTAILS** (Cash Bar), International Ballroom

12:30 p.m. to 1:45 p.m.

**LUNCHEON**, International Ballroom

### PRESIDING

**Arch N. Booth**

### ADDRESS

**The Honorable William E. Simon**  
Administrator  
Federal Energy Office

2:00 p.m. to 3:00 p.m.

**FIRST AFTERNOON SESSION**  
Jefferson-Lincoln Room

### PRESIDING

**E. Douglas Kenna**

### "CONSERVATION OF ENERGY"

### REMARKS

**The Honorable Frederick B. Dent**  
Secretary of Commerce

### QUESTIONS AND ANSWERS

**Secretary Dent**

**Robert E. Shephard**, Director, Office of  
Energy Programs,  
U.S. Department of Commerce

NOTE: Please use cards provided to submit  
questions.

3:00 p.m. to 4:30 p.m.

**SECOND AFTERNOON SESSION**  
Jefferson-Lincoln Room

### PRESIDING

**Gene C. Brewer**, Chairman  
NAM Energy & Resources Development  
Committee

### "ALLOCATION: QUESTIONS AND ANSWERS"

### PANEL MEMBERS

**John W. Weber**, Assistant Administrator for  
Operations and Compliance, FEO  
**John F. Schaefer**, Deputy Assistant  
Administrator for Fuels Management and  
Policy, FEO  
**Donald K. Hess**, Deputy Assistant  
Administrator for Compliance and  
Support, FEO

### MODERATOR

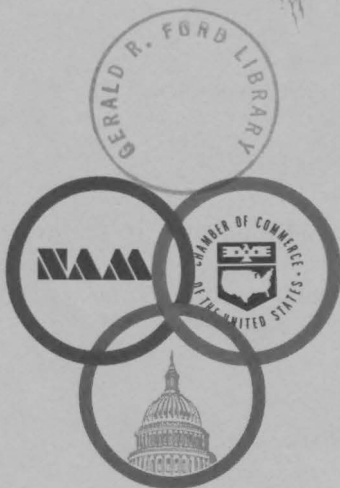
**Benjamin Tyree**, Managing Editor,  
*Energy Users Report*,  
Bureau of National Affairs

NOTE: Please use cards provided to submit  
questions to the panel.

4:30 p.m.

**ADJOURNMENT**

**CHAMBER OF COMMERCE OF THE UNITED STATES**  
1615 H Street, N.W. / Washington, D.C. 20006



**ASSOCIATIONS & BUSINESS  
WORKING TOGETHER . . .  
WORKING WITH GOVERNMENT**

**NATIONAL ASSOCIATION OF MANUFACTURERS**  
1776 F Street, N.W. / Washington, D.C. 20006



REMARKS BY VICE PRESIDENT GERALD R. FORD  
BEFORE THE NAM/NATIONAL CHAMBER  
BUSINESS-GOVERNMENT WORKSHOP ON ENERGY  
AT THE WASHINGTON-HILTON HOTEL  
8:50 a.m. WEDNESDAY, JANUARY 30, 1974

ADVANCE FOR RELEASE AT 8:50 a.m. WEDNESDAY

It is a great pleasure to join you here this morning.

I want to commend the National Chamber and the National Association of Manufacturers for holding this important workshop on the energy problem. This challenge will be with us for as long as we can see in the future, and one of the best means of coping with it is through exchanges such as this on the latest developments.

You'll be hearing about these developments today from an all-star cast representing both the public and private sectors. I am glad to see that two of my distinguished colleagues on the Hill will be here: Senator Randolph and Congressman Hosmer. And from the Executive Department will be Secretary Dent, Bill Simon, and other distinguished speakers.

For my part, I should like to review the overall challenges facing business and government this year. Many of the problems involved relate to the all-pervasive energy crisis, of course, but others are of a special nature.

I want to emphasize especially that the end of the oil embargo -- a happy development we hope to see soon -- will not mean the end of the energy problem. We must still push vigorously ahead with our conservation efforts and our determination to achieve energy self-sufficiency. America must never again be subjected to the threat of an energy boycott.

Now, I was talking to Herb Stein yesterday and asked him if he had a message about the economy for you here today.

He said, "Tell them that Chicken Little is a liar." You'll recall that Chicken Little was hit on the head by an acorn and then ran around telling everyone the sky was falling.

(more)

I think we can be confident that the sky is indeed still there, as limitless as ever for this country.

This said, there is no denying that in the past few months we have been banged on the head by a couple of very big acorns. They are the energy shortage and the soaring cost of energy.

And they have hurt. They've hurt jobs, production, and income. They have caused inconveniences and discomforts for our people. They are exerting strong inflationary pressures on the economy. They are temporarily slowing economic growth. And in the international arena, they will affect trade and the monetary situation.

But while these lumps have hurt -- and may hurt some more -- we have come through this initial period in remarkably good shape. For this, we can thank the American people and the American business community. Their good sense, their cooperative efforts have enabled us to take quick and decisive action to minimize the effects of the immediate crisis and to prepare for long-term solutions.

If we know anything, we know that this problem will be neither of short duration nor narrowly limited in its effects. It stretches, for America and the whole world, beyond this decade and possibly into the next century, and almost certainly until science and technology unlock new secrets and sources of energy.

In our country, the problem will bring some profound changes in our national life. It will reorder some of our economic priorities. It will change patterns of economic growth. It will alter our modes of transportation. It will affect where we live and work. It will change our architecture. It will put a new premium on efficiency in marketing and distribution. And it will add to the urgency to achieve sustained increases in productivity in all industries.

Together, these developments pose challenges for business unequalled since World War II. And not since that conflict has America so badly needed the diverse capabilities that only business can provide in meeting these challenges.

(more)

America needs your expertise in bringing together human skills, material resources, capital, and science and technology, in enterprises that add to the well-being of our people. We need your organizational and managerial abilities. We need your innovative spirit, your willingness to take risks. And last, but far from least, we need your ability to make a profit, a fair profit, a healthy profit.

Business must profit because profit is required:

- for research and development of new products;
- for exploration for new raw materials;
- for expansion of facilities that provide more jobs and lower prices through increased production; and
- as a reward to investors who have risked their savings in an enterprise.

But the propaganda that's abroad in the land on the subject of profit doesn't mention these things.

Instead, profit is pictured as a rip-off. It's denounced as exploitation. It's held up as something the bad guys steal from the good guys.

In my view, the people who are hammering these notions into the national consciousness are playing a dangerous game. Carried to its ultimate conclusion, it can lead only to a centrally planned economy. Instead of a free marketplace, we would have one dictated to by a monolithic bureaucracy.

But on this subject of profit, I want to be very blunt about the kind of job that I think business has done in helping the American people understand what profit is all about. You haven't done the job. No wonder the critics have the floor all to themselves.

How much effort for example, have you put into explaining to the American people the amount of investment required to generate just one -- one more job in this great economy? I know that in the manufacture of motor vehicles in my state of Michigan, it takes \$22,600 to create a job. Have you ever explained that much of this money comes from the profit a company makes? How many

(more)



people do you think know and appreciate this fact?

Again, how much effort have you put into correcting the public's misconception of the amount of profit companies earn? A survey by Opinion Research Corporation last fall shows that the public believes that the average manufacturer makes 28 cents of every dollar of sales after taxes. The real figure is slightly over 4 cents.

Don't you owe it to business and the future of America to help correct this mistaken impression?

I should make very clear, however, the Administration's position on the subject of windfall profits by the oil companies in the current situation.

Our policy is to encourage these firms to increase domestic production of oil and gas in order to reduce the Nation's reliance on foreign sources of supply. To make the enormous capital investments required for exploration and development of new reserves, they must be able to earn a fair profit. And we want a price structure that achieves this end.

But we will not tolerate price gouging in any form. We will not permit any company to profit from the sacrifices of the American people. It would be unconscionable. We will not allow it.

This determination is what lies behind President Nixon's call for a windfall profits tax. The tax will retrieve the profits that may occur as a result of rapidly rising prices due to the energy shortage. It will in no way discourage production but will work to increase supplies in the long run. It is a good proposal and I hope fair-minded businessmen will support it.

I also want to speak plainly about something else. It may not be the popular thing to say in the current atmosphere, but I'm going to say it.

I do not believe the oil companies should be made the scapegoat in this energy crisis. I don't mean I'm holding the oil companies up as paragons of virtue. I am saying that there is blame enough to go around for everybody. That includes government,

(more)

business, and the consuming public.

We shouldn't be spinning our wheels looking for scapegoats. We should be getting on with the monumental task of working ourselves out of this corner. We need all the help from business that we can get, and I'm here to call for it. The American people will accept nothing less than business' full cooperation. I am confident they will get it.

Now let me turn to something that I know is of critical interest to all businessmen: wage and price controls.

You know and I know that continued inflationary pressures could lead some people to advocate the old straitjacket approach to managing the economy. Already we're hearing calls for artificially low prices on fuel. I can assure you this Administration believes that the best course in this year of adjustment is to maintain as much flexibility as possible. So we're going to rely mainly on the freedom that promotes production instead of the controls that produce shortages.

As you know, John Dunlop has already taken steps to lift controls in a number of significant areas. I anticipate that we will continue to maintain this same direction of selective decontrol.

Now, our challenges here at home are matched -- some would say more than matched -- by the challenges we face in the international economy. What has us concerned is not just the oil embargo but the magnitude of the financial problem caused by escalating oil prices in recent months.

The entire world economy is threatened with a rising price spiral that could play havoc with trade, investment, and the international monetary system. In the end, it would be a no-win game for everybody, including the oil-producing nations.

This is why President Nixon has called an international conference of major oil-consuming nations here in Washington February 11 to discuss the problem. Later, we hope to develop cooperative solutions on both supply and pricing problems with the oil-producing nations.

(more)

Whatever the details of the final solution, there's no question that the world ~~market~~ price of oil will be higher than it was before. This will mean a drive by many nations to increase exports in order to offset the higher costs of their oil imports.

And for American business, this poses another challenge. We need to continue the outstanding record of export expansion achieved in 1973. Exports last year rose 40 percent over those of 1972. Our merchandise trade balance was in the black for the first time since 1970. We can't expect to chalk up such hefty increases indefinitely, but we do need to get our fair share of the growing world market.

To do this, business must get a fair shake in that market. And that's what the Administration's trade bill now before the Congress will help do. It will enable the President to further America's interest in freer trade. It provides for authority to react against unfair trade practices by other countries. And it will help open even wider the opportunities for East-West trade. At this time each year, when the annual rites of forecasting are in full swing, I am reminded of something Justice Oliver Wendell Holmes said:

"Every year, if not every day, we have to wager our salvation upon some prophecy based upon imperfect knowledge."

At this beginning of 1974, the unknowns -- and the unknowables -- seem particularly numerous. But when it comes to wagering on the success of America, we can be confident that we have the surest bet in the world.

What other nation has our manufacturing capacity, efficiency of agricultural production, science and technology, and capital resources?

Our businessmen wrote the book on management and organization of modern industry. And our labor force is the most skilled and best educated in the world.

In the field of energy, we produce more than 85 percent of our needs from domestic sources. For the future, we are going after some 140 billion barrels of oil on the Outer Continental Shelf, in

(more)



the shale of the Rocky Mountains, and from the North Slope of Alaska.

We're going after the billions of tons of coal that represent half the world's supply. We're going to build on our nuclear capability, which is unmatched in the world. And we are marshalling some of our finest scientists and engineers in the search for new sources of energy.

It comes down to this: What other nation in the world would you rather bet on in 1974?

Only in America will your bet be as safe.

# # #