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REMARKS OF THE HONORABLE FRANK G. ZARB
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BEFORE THE

WASHINGTON JOURNALISM CENTER'S CONFERENCE
FOR
JOURNALISTS ON THE ENERGY CRISIS
MARCH 13, 1975
8:30 AM

Thank you. It is a pleasure to be with you this morning. I want to take as many of your questions as possible. But before I do that, I want, briefly, to put the nature of our energy problem -- with all its urgency and all its potential hazards -- into perspective.

Not long ago, this country could formulate its foreign policy by consulting its own interests and those of its allies. Now it must consider -- and weigh very carefully -- the interests of others -- interests which have differed sharply from ours in the past and may well do so in the future.

Once we could handle our economic affairs with an assurance of stable supplies of vital commodities at reasonable and predictable prices. Now we must labor with the knowledge that our imported oil -- so vital to that production -- can be cut off at a moment's notice or priced at still more exorbitant levels.



A year ago, these dangers were brought home forcefully to the American people. The energy crisis -- years, even decades in the making -- suddenly became an everyday reality: service station lines and skyrocketing utility bills became common experiences for most Americans.

Today, the threat is more subtle. But whether we choose to call it a crisis, or a problem, or a dilemma, it is no less persistent. It has simply taken a different form.

A year ago, the energy crisis meant empty gas pumps. Today it means a national pocketbook which is being emptied to pay quadrupled prices for imported oil. Not as dramatic as gasoline lines, perhaps -- a bit more subtle -- but every bit as serious as the shortages of last year.

Last year, the United States ran a balance of trade deficit of more than \$5 billion dollars. If our oil import payments had remained at their 1973 level, that deficit could have been a surplus of some \$14 billion dollars. Had we paid twice as much for imported oil in 1974, with all other factors remaining equal, our balance of trade still would have been in the black, perhaps by as much as \$7 billion dollars.

But our oil payments were not only doubled, but, more than trebled, to add to this nation's debt.

Now to some people the balance of trade is a complicated creature of the economists. But in plain pay-day terms, it means dollars taken out of American pay checks and put into foreign bank accounts.

Still, there are those who continue to deny the danger, defy the facts, and demand nothing more than "business-as-usual".

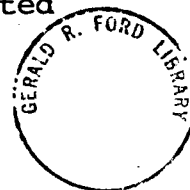
Doing nothing would mean, by 1977, agreeing to a 1000 percent increase over 1970 in the annual cost of imported oil. It would mean \$32 billion dollars drawn out of the American economy and transferred to other nations in only one year.

Now, we in Washington are very glib in tossing around figures like a \$32 billion dollar outflow and a 1000 percent increase.

The average American wants to know what's going to happen to the family budget. Well, business-as-usual means that in 1977 an American family would pay out -- and this is a conservative estimate -- an average of almost \$600 per family to other countries for oil.

Of course that is not the entire picture. The dollars we send abroad do not go into permanent exile. They are repatriated or, in the words of the economists, "recycled."

Those dollars -- some of them -- are sent back to us in return for goods and services produced here in the United States -- food, machinery, technology, and so forth.



And those same dollars can come back in the form of investment in American firms. Investment means ownership in varying degrees, and ownership, in turn, means control, in whole or in part.

Foreign investment in American enterprises is not, of itself, an evil phenomenon. It does provide necessary capital, for example. But what it does not provide is an effective, permanent solution to the disparity between domestic energy demand, and domestic energy production.

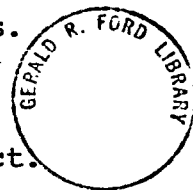
Recycling may be necessary crisis management, but it is not crisis solution.

Until we solve the energy crisis, we will remain vulnerable to exorbitant prices and to another embargo and cut-off of oil imports and the resulting economic disruptions. In fact, the mere threat of another embargo could be, in a way, as effective as the reality.

Unless we take decisive steps to protect ourselves now, the gravity of that threat and the potential impact of an actual embargo will grow with each additional barrel of oil we import.

Let's see what that means for the future.

In two years' time, if we do nothing, almost half of our petroleum supplies will be coming from overseas sources. If all those supplies were cut off, a six-month embargo could bring a \$45 billion drop in the gross national product. It's difficult to say exactly how much it would increase unemployment, but it's estimated that the 1973 embargo -- which



involved only 14 percent of U.S. petroleum consumption -- threw half a million people out of work.

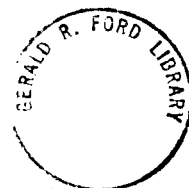
That is the kind of threat -- extreme as it may sound -- that we could anticipate unless we are willing to take firm and convincing action now. We can let the American ship of state run rudderless in the unpredictable tides of rising energy consumption and diminishing supply, or we can take command of our own future. It's up to us.

And no nation is so capable of molding its energy future as the United States. It will cost billions of dollars, but this is a trillion dollar economy. It will require some sacrifice, but we have never shrunk from that. It will require resources, but we have those in abundance.

I may have made our situation sound fairly dismal, but, in fact, the challenge we face constitutes another opportunity to demonstrate our fundamental resilience and strength as a people.

The shape of our energy future is in our hands now. The way we -- Congress and the Administration -- act now, the initiatives we develop jointly now, the measures we enact now, will affect the security of our nation and the stability of our economy for decades to come.

We have seen the first indications that Congress recognizes the urgent need for a significant increase in the cost of energy to reduce consumption and to promote production.



It has become increasingly clear that our major differences are over timing and degree. And that's good news because these questions can be resolved the same way Americans have always adjusted their differences -- through debate, compromise and conciliation.

If we succeed in reaching a viable agreement soon, the beneficiaries will be today's Americans and the Americans of years to come.

If delay continues, the losers will be the consumers, workers and taxpayers -- everyone in the country -- today, five, ten and twenty years from now.

We must have a comprehensive and effective national energy plan now.

We can no longer afford the luxury of inaction.

Debate is valuable and productive. But endless debate means endless inaction.

And that is just too costly for our nation's present and future.

Thank you.

Now, I'll be happy to take your questions.

