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REMARKS OF FRANK G. ZARB BEFORE THE REPUBLICAN WOMEN'S
FEDERAL FORUM, CAPITOL HILL CLUB, 12 NOON, MARCH 24, 1975

IT'S A PLEASURE TO BE HERE WITH YOU. USUALLY, WHEN I COME
TO THE HILL, THE RECEPTION IS A BIT COOLER.

ALTHOUGH THIS LUNCHEON IS CONSIDERABLY MORE PLEASANT THAN
MY USUAL VISITS UP HERE, I'M AFRAID THAT WE REALLY OUGHT
TO BE THINKING AND TALKING ABOUT SOME VERY UNPLEASANT FACTS.

-- LET'S TALK ABOUT A COUNTRY WHOSE FLEXIBILITY AND EFFECTIVENESS
IN IMPORTANT AREAS OF FOREIGN AFFAIRS IS CONDITIONED
BY ENERGY SUPPLY DECISIONS OF OTHER NATIONS.

-- LET'S TALK ABOUT AN ENERGY ECONOMY AT HOME THAT IS IN
LARGE PART TIED TO SUCH DECISIONS OVERSEAS.

-- LET'S TALK ABOUT A LAND THAT IS NO LONGER THE UNDISPUTED
MASTER OF ITS OWN DESTINY.

-- LET'S TALK ABOUT A PEOPLE WHO WERE ONCE
-- SECURE ENOUGH IN THEIR OWN BORDERS,
-- STRONG ENOUGH BY THEMSELVES, AND
-- SURE ENOUGH OF THEIR OWN MATERIAL AND
POLITICAL RESOURCES,

-- NOT JUST TO MAKE THEIR OWN WAY IN THE WORLD,

-- BUT TO CLEAR A PATH FOR OTHERS LESS FORTUNATE THAN THEY.

-- IN SHORT, LET'S TALK ABOUT THE UNITED STATES.



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 WITH FORCE
TO THE AMERICAN PEOPLE:

- THE ENERGY CRISIS -- YEARS, EVEN DECADES IN
THE MAKING -- SUDDENLY BECAME AN EVERY DAY
REALITY :
- SERVICE STATION LINES AND SKYROCKETING UTILITY
BILLS BECAME COMMON EXPERIENCES FOR ALL OF US.

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 DANGEROUS AND 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.



- IN 1970, WE PAID \$3 BILLION FOR FOREIGN OIL.
- IN 1974, WE PAID \$24 BILLION.
 - THAT MEANS THAT LAST YEAR WE PAID FOR FOREIGN OIL AT A RATE OF MORE THAN \$100 FOR EVERY MAN, WOMAN AND CHILD IN THE NATION.
 - AND THAT TRANSLATES, CONSERVATIVELY, INTO \$425 FOR EVERY AMERICAN FAMILY FOR FOREIGN OIL IN 1974.

LAST YEAR THE UNITED STATES RAN A BALANCE OF PAYMENTS DEFICIT OF SLIGHTLY MORE THAN \$10 BILLION.

- THAT COULD HAVE BEEN A PAYMENT SURPLUS OF PERHAPS \$8 BILLION -- EVEN IF OUR 1973 OIL PAYMENTS HAD MERELY DOUBLED. BUT, THEY WERE NOT ONLY DOUBLED, BUT DOUBLED AGAIN, TO PUT THIS NATION IN DEBT.

NOW TO SOME PEOPLE THE BALANCE OF PAYMENTS 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. AS SOMEONE SAID,
- IT MEANS LESS FOR PAYROLLS IN PITTSBURGH, MORE FOR BANKS IN BAGHDAD.



- STILL, THERE ARE THOSE WHO HAVE EYES AND YET WILL NOT SEE;
- THERE ARE THOSE WHO CONTINUE TO DENY THE DANGER, DEFY THE FACTS, AND DEMAND NOTHING MORE THAN "BUSINESS-AS-USUAL."

BUT, IN 1975 AND THE YEARS AHEAD, THERE IS LITTLE POLITICAL, ECONOMIC, OR SOCIAL PROFIT IN BUSINESS-AS-USUAL, BECAUSE IT MEANS DOING NOTHING TO SOLVE OUR INCREASINGLY DANGEROUS DEPENDENCE ON IMPORTED OIL.

- DOING NOTHING WOULD MEAN BY 1977 ACQUIESCING IN A 1000 PERCENT INCREASE OVER 1970 IN THE ANNUAL COST OF IMPORTED OIL.
- IT WOULD MEAN \$32 BILLION DRAWN OUT OF THE AMERICAN ECONOMY AND TRANSFERRED TO OTHER NATIONS LESS THAN 2 YEARS FROM NOW.

NOW, WE IN WASHINGTON ARE VERY GLIB IN TOSSING AROUND FIGURES LIKE A \$32 BILLION OUTFLOW AND A 1000 PERCENT INCREASE.

- BUT THAT'S LIKE TALKING ARABIC TO THE AVERAGE AMERICAN.



- THE AVERAGE AMERICAN WANTS TO KNOW WHAT'S GOING TO HAPPEN TO THE FAMILY BUDGET.
- BUSINESS-AS-USUAL MEANS THAT IN 1977 AN AMERICAN FAMILY WOULD PAY OUT -- AND THIS IS A CONSERVATIVE ESTIMATE -- AN AVERAGE OF \$575 TO OTHER COUNTRIES FOR OIL.

OF COURSE THAT IS NOT THE ENTIRE PICTURE. INTERNATIONAL PAYMENTS HAVE BEEN AND WILL CONTINUE TO BE "RECYCLED" -- RETURNED TO THE ECONOMIES FROM WHICH THEY CAME.

- SO, SOME OF OUR DOLLARS COME BACK TO US IN THE FORM OF PURCHASES OF GOODS AND SERVICES -- FOOD, MACHINERY, TECHNOLOGY, AND SO FORTH.
- BUT THOSE SAME DOLLARS CAN ALSO BUY COMPANIES, IN WHOLE OR IN PART.



- IN GERMANY, 14 PERCENT OF THE DAIMLER-BENZ COMPANY IS NOW OWNED BY IRANIAN OIL INTERESTS.
- IRAN NOW OWNS MORE THAN 25 PERCENT OF THE KRUPP STEEL EMPIRE.

And in the United States, Iran is negotiating to buy a significant share of Pan-American airways;

While Saudi Arabian money now controls the Bank of The Commonwealth in Detroit-

SO IN EFFECT, RECYCLING OF OIL PAYMENTS CAN ALSO MEAN FOREIGN CONTROL, IN DIFFERENT DEGREES, OF AMERICAN FIRMS

- A TRANSFER OF OWNERSHIP OUT OF THE U.S.
- CORPORATE DECISIONS ONCE MADE IN NEW YORK OR ST. LOUIS OR SEATTLE MAY SOME DAY BE MADE IN TEHERAN OR ALGIERS OR ABU DHABI.



FOREIGN INVESTMENT IN THE UNITED STATES IS NOT NECESSARILY AN INHERENTLY EVIL PHENOMENON. BUT THE MAGNITUDE OF THESE INTERNATIONAL CASH FLOWS THAT WE ARE SEEING TODAY MAKE IT CLEAR THAT THIS KIND OF RE-CYCLING CAN PROVIDE NO VIABLE, PERMANENT SOLUTION TO THE ENERGY CRISIS.

-- RECYCLING MAY BE NECESSARY CRISIS MANAGEMENT,

-- BUT IT IS NOT CRISIS SOLUTION.

AND, UNTIL WE SOLVE THE ENERGY CRISIS, WE WILL REMAIN VULNERABLE TO EXORBITANT PRICES AND TO ANOTHER EMBARGO AND CUT-OFF OF OIL IMPORTS.

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, 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, PERHAPS 50 PERCENT OF OUR PETROLEUM SUPPLIES WILL BE COMING FROM OVERSEAS SOURCES.
- IF ALL THOSE SUPPLIES WERE CUT OFF, A SIX-MONTH EMBARGO WOULD 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.

IT'S BEEN SAID THAT THOSE WHO DON'T LEARN FROM HISTORY ARE CONDEMNED TO REPEAT IT. WELL, WE SHOULD HAVE LEARNED A LOT FROM THE PAST 18 MONTHS, AT LEAST ENOUGH TO TRY TO CHANGE THE FUTURE.

AND NO NATION IS SO CAPABLE OF MOLDING ITS ENERGY FUTURE AS THE UNITED STATES.

- YES, IT WILL COST BILLIONS, BUT THIS IS A MULTI-BILLION DOLLAR COUNTRY.
- IT WILL TAKE RESOURCES, BUT WE HAVE THOSE IN ABUNDANCE.
- IT WILL TAKE SOME SACRIFICE, BUT WE HAVE NEVER SHRUNK FROM THAT IN THE PAST.



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.

BUT IT IS NOT JUST 1985 OR THE 21ST CENTURY THAT WE'RE
TALKING ABOUT. WE'RE TALKING ABOUT 1975, AND THE
NECESSITY FOR PROMPT ACTION TODAY --
-- PROMPT ACTION THAT WILL PERMIT US TO REPAIR THE
IMMEDIATE DAMAGE
-- AND GIVE US THE OPPORTUNITY TO FORM A MORE
SECURE FUTURE FOR OUR CHILDREN.

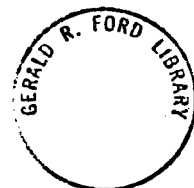
I'M ENCOURAGED BY WHAT'S BEEN DONE SO FAR.



- IN JANUARY, FOR THE FIRST TIME IN HISTORY, A NATIONAL ENERGY POLICY WAS PROPOSED.
- PRESIDENT FORD'S LEADERSHIP AND HIS WILLINGNESS TO MAKE DIFFICULT CHOICES HAVE GIVEN THE COUNTRY THE FIRST TRULY COMPREHENSIVE POLICY
 - TO REDUCE CONSUMPTION,
 - TO STIMULATE THE PRODUCTION OF CONVENTIONAL FUELS, AND
 - TO EXPEDITE THE DEVELOPMENT OF MORE ADVANCED ENERGY RESOURCES.

AS A RESULT OF THE PRESIDENT'S ENERGY PROPOSALS, THE INERTIA THAT HAD BEEN BLOCKING THE DEVELOPMENT OF A NATIONAL ENERGY POLICY WAS OVERCOME.

- DURING THE LAST FEW WEEKS, WE HAVE SEEN RESPONSES FROM THE CONGRESS WHICH, THOUGH INADEQUATE AT FIRST, HAVE PROVIDED CAUSE FOR SOME HOPE.
- 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 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.
THE ADMINISTRATION WILL CONTINUE NOW, AS IT HAS IN
THE PAST, TO JOIN IN THE PROCESS.

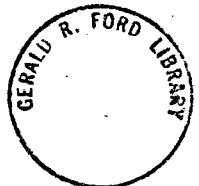
-- IN HIS STATE OF THE UNION MESSAGE, THE PRESIDENT SET
THINGS IN MOTION, AND WE INTEND TO KEEP THINGS MOVING.

COMPROMISE IS POSSIBLE IN MANY AREAS IF IT ADVANCES US
TOWARD A SOUND NATIONAL ENERGY POLICY.

-- BUT WHAT IS NOT OPEN TO COMPROMISE CAN BE SUMMED UP
EASILY. OUR GOALS MUST BE:

- TO STOP THE DANGEROUS GROWTH OF OUR VULNERABILITY
TO FOREIGN OIL SUPPLIERS,
- TO BECOME INVULNERABLE BY 1985, AND
- TO ACCOMPLISH THESE OBJECTIVES: IN THE FAIREST
AND MOST EQUITABLE MANNER.

HAVING SAID THAT, LET'S SEE, IN A GENERAL WAY HOW THE
APPROACHES OF CONGRESS AND THE ADMINISTRATION COMPARE.



THE ADMINISTRATION PLAN

- RELIES PRIMARILY ON THE MARKET MECHANISM,
- BALANCES EVERY ELEMENT OF THE PROGRAM IN TERMS OF BARRELS OF OIL PRODUCED, SAVED, AND CONSUMED, AND
- INTEGRATES ALL OF ITS ENERGY INITIATIVES INTO AN OVERALL ECONOMIC STRUCTURE.

BECAUSE OF THE FLEXIBILITY, THE ECONOMIC SOUNDNESS AND --
IN THE FINAL ANALYSIS -- THE BASIC FAIRNESS OF THE
MARKETPLACE,

- THE ADMINISTRATION PREFERS TO COMBINE UNCONTROLLED DOMESTIC OIL AND GAS PRICES WITH IMPORT FEES AND EXCISE TAXES TO ACHIEVE THE NECESSARY SAVINGS.
- IN SHORT, WE PREFER A SYSTEM THAT WILL ALLOW THE PRICE OF ENERGY TO REFLECT ITS TRUE VALUE IN THE ECONOMY.

WE HAVE NO QUARREL WITH IMPORT QUOTAS AND ALLOCATION AS
STANDBY MEANS.

- BUT INSTITUTING A CONTINUING QUOTA AND ALLOCATION SYSTEM --
 - WITH THE BUREAUCRACY PENETRATING THE MARKETPLACE EVER FURTHER,
 - WITH THE REGIONAL INEQUITIES INHERENT IN SUCH AN ARRANGEMENT,
 - AND ALL FOR THE SAKE OF MARGINAL REDUCTIONS IN IMPORTS --
- SEEMS INCONSISTENT WITH MAINTENANCE OF A FREE MARKETPLACE.



BUT THEN MANY MEMBERS OF CONGRESS ARE PRONE TO SEE GOVERNMENT
INTRUSION INTO THE ECONOMY AS THE DESIRABLE WAY TO
DEAL WITH OUR DIFFICULTIES.

-- SOME, FOR EXAMPLE, WOULD ESTABLISH A FEDERAL PURCHASING
SYSTEM FOR ALL OUR OIL IMPORTS, PERHAPS BASED ON SEALED BIDS.

-- THIS WOULD BE A MAJOR STEP IN THE DIRECTION OF GREATER
GOVERNMENT CONTROL OVER THE PETROLEUM INDUSTRY AND WOULD
INVOLVE MANY OF THE BUREAUCRATIC DISADVANTAGES OF
QUOTAS AND ALLOCATIONS.

-- WHETHER SUCH A SYSTEM WOULD PLACE ANY SIGNIFICANT PRESSURE
ON THE WORLD PRICE OF OIL IS OPEN TO QUESTION.

-- THERE ARE THOSE WHO BELIEVE THAT A FEDERAL PURCHASING
AUTHORITY WOULD EVEN DRIVE THE CARTEL CLOSER
TOGETHER AND, THEREFORE, GENERATE HIGHER PRICES
OVER THE LONG-TERM.

WHAT'S MORE, I WOULD ASK THE ADVOCATES OF GROWING GOVERNMENT
CONTROL WHY THEY ARE SO EAGER FOR INCREASED FEDERAL
INTERVENTION.

-- HAVE AMERICAN CONSUMERS AND WORKERS REALLY BENEFITTED FROM
GOVERNMENT OVERSIGHT OF INDUSTRY?

-- IS THE CONDITION OF THE UTILITIES, OR THE AIRLINES, OR
THE RAILROADS -- ALL CLOSELY REGULATED BY EITHER FEDERAL
OR STATE GOVERNMENTS -- REALLY SO ENCOURAGING?

-- DO WE REALLY WANT TO SUBSTITUTE POLITICS FOR THE PROFIT
MOTIVE?



THESE ARE SOME OF OUR DIFFERENCES.

-- BUT THEY ARE FEWER NOW THAN WHEN THE PRESIDENT FIRST PROPOSED HIS ENERGY POLICY.

-- AND THE REMAINING AREAS OF DISAGREEMENT WILL CONTINUE TO NARROW, AS CONGRESS AND THE ADMINISTRATION EXPLORE MORE OF THE COMMON GROUND OF COMPROMISE.

EACH BRANCH OF GOVERNMENT HAS APPROACHED THIS GROUND FROM A DIFFERENT QUARTER.

-- BUT CONGRESS HAS SINCE COVERED MUCH OF THE SAME TERRITORY THAT WE IN THE ADMINISTRATION HAD PREVIOUSLY SURVEYED.

-- THEY'VE SEEN HOW DIFFICULT IT IS TO CROSS,

-- AND NOW THERE IS A GROWING REALIZATION THAT ONE OF THE FEW RELIABLE CHARTS AVAILABLE IS THE ONE OFFERED BY THE PRESIDENT.



IF WE SUCCEED IN REACHING A VIABLE AGREEMENT SOON,

-- THE BENEFICIARIES WILL BE TODAY'S AMERICANS AND THE
AMERICANS OF MANY DECADES 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 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.

-FEA-

