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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT

Jack Marsh
thanks.
JRF

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN *by*

January 21, 1975

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

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

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

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

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

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

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

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

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

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

Zarb said that Curtis' points were being considered.

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

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

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

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

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

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

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

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

Only two things to address problem: rationing and pricing.

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

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

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

confined to Democrats but includes Republicans as well.

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

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

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

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

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

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

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

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