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Office of the Vice President
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REMARKS OF THE VICE PRESIDENT
AT THE
NATIONAL ASSOCIATION OF MANUFACTURERS LUNCHEON
THE WALDORF-ASTORIA HOTEL
NEW YORK, NEW YORK

(AT 12:40 P.M.)

Thank you very much, Don, particularly coming from a fellow New Yorker, while we are speaking of that and His Honor, the Mayor is here to honor this distinguished group. Don't forget your Christmas shopping while you are here.

(Laughter.)

That city sales tax is going to be very helpful. Ladies, don't especially hold back at all.

(Laughter.)

To Dave and to Dick, and I would like to say how much I enjoyed that speech of yours, Dick. It covers so beautifully and so effectively the role of free enterprise, the meaning of free enterprise and the responsibility of free enterprise in this great free nation of ours and the system that is under some challenge in the world today.

Heath who is just starting, I would like to congratulate him also, and say what a pleasure it is to be associated with him in Washington, on this Productivity Commission which is a matter of tremendous interest to all of us in this room.

To Doug Cannon, congratulations and I would like to especially mention Dick's invocation. I thought that was very beautiful, very sensitive. I would like to thank him and say we need a little more of that in this country.

To all of you ladies and gentlemen, thank you very much for inviting me and giving me the opportunity of being here. It is a great honor.

I like your slogan, or whatever you want to call it, for this year, for the members of the future. That is what I would like to talk about today. I was very impressed with Dick's comment about the delicate balance between hope and fear. Of course, government's role in that can tip that balance one way or the other, which is good or bad, depending on which way you tip it.

The bureaucracy and the red tape are unfortunately on the negative side if not handled properly and it can be a deterrent which can be very serious. That is one of the things I have talked about in previous meetings with some of you. But that is not the purpose of what I would like to say today.

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First, I would like to pay a tribute to the men and women who are in this room because as Dave was telling me, you represent 80 percent of industrial production in this country, 80 percent of industrial employment. Of course, as we all know, private enterprise pays 85 percent, directly or indirectly, the taxes of Federal, State and local government.

What happens in your lives as individuals and as corporations is vital to the future of this country and this country's capacity to meet its responsibilities in the social fields on a sound basis and internationally.

You represent here in this room, the creative genius of America, the managerial skill, the ability to apply research and technology to the meeting of America's needs.

It is your vision and your courage, your willingness to take the risks that Dick was talking about and invest the capital that has built America and given it the extraordinary strength which we have enjoyed. But we have to remember the future.

That is the question. Are we going to preserve this system with its vitality or are we going to see this country move in the direction that unfortunately some other great capitalist societies have moved in.

I just happen to think that it is the greatest and the most productive system that civilized man has ever invented. We have got to keep it. I am delighted. Dave has been telling me at lunch about the plans that you and the other national organizations are working on in relation to education of the people in this country of the meaning of this system, of how it works, what it takes to make it work.

Of course, a very sensitive and important part of that is the relationship with government and the framework which freedom of government can create, and must create and therefore, the importance of the relationship of Congress and the Executive Branch. Today I would like to talk about energy and our national security and our economic and social vitality.

Let's face it, ladies and gentlemen, we have got to have the courage to tell it like it is and look at the hard realities and face up to those realities. This is one of the fields that I think is most important that we do it in.

Scotty Reston had a very interesting piece in The Times this morning, his column. I am one of his fans. He said, "Cheer up," which is the title of this, "Cheer up, things are terrible."

(Laughter.)

Then he says in the first two opening paragraphs, "The only happy thought around these days is that so many things are going wrong that maybe something will finally be done about them, but only maybe."

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"It is a well known rule in Washington that nothing compels reform like some imminent disaster or spectacular stupidity. Now we have got so much of both on the national agenda that you have to have some hope."

(Laughter.)

I would like to make one other quote. That is from Governor Briscoe of Texas. I was down there last month on a Domestic Council hearing which we were having on domestic policy and program review, which we have been having a series around the country for the President.

Speaking on the subject of energy, Governor Briscoe said that if we had responded to the attack on Pearl Harbor as we have as a nation responded to the energy crisis, he said we all would be speaking Japanese by now, here in the United States.

(Laughter.)

That wasn't a bad analogy. Secondly, he went on to say that at that time, Senator Vandenberg, who many of us knew and all of us admired, immediately came out for a bipartisan foreign policy and that our domestic-political squabbles should stop at the water's edge and that we should be united in facing the problems in the world.

The Governor said and I agree with him, that the time has come politically to be united in solving one of the most serious problems that we face; that is, the energy crisis. It happens to be within our country, but is of course, closely related to the international situation.

I think we have got to halt the domestic-political squabbles on this subject, just as they did at that time on our international affairs. What this nation can do when it puts its mind to it, when the people are determined, just is absolutely unlimited.

Let's take a look at, a minute, on the increasing growing dependence that we have on imported oil, resulting in a growth of our vulnerability to our national security. Those of you who come from the East Coast know we depend on about 80 to 90 percent of the oil for heating and generation of electricity and so forth which depends on imported energy, and for the basic strength and vitality of our economy, increased job opportunities and our way of life.

Energy is the basis of an industrial society and it is the basis of our way of life. We accept it. We take it for granted. We have enjoyed cheap energy for generations. Now it has been very difficult for us as a nation and as a people to face up to the hard realities.

You won't believe it, but I was at a Mid-west Governors' Conference and none other than Governor Exon asked me whether there really was an energy crisis. He said, "How can there be an energy crisis when we have plenty of gas and oil at the pumps?"

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I said, "You summarized it perfectly. We have plenty of gas and oil at the pumps because we are importing now close to 40 percent or some 38 percent."

But if we were faced with the same kind of situation we were faced with two years ago, let's face it, we are living in a world of accelerated change. We are living in a world where there is growing interdependence internationally, interdependence between States, between various elements of the free enterprise system.

In that situation, if the political situation didn't get solved in the Middle East, and if there was another boycott of energy, what we went through before which cost us about \$10 million and a half-million jobs, what we went through then would just be child's play as to what we would go through now.

There is a very serious question as to how, at least in certain parts of the country, we would be able to preserve a vitality and viability of our economic and political life. It wouldn't be a question of waiting in line for energy at a pump. There just wouldn't be any.

So, from a security point of view, from an economic point of view, we are playing a very risky game, doing what we are doing. It is two years since that first boycott situation took place.

I don't think to this sophisticated audience one has to say very much of how we got into this situation. We all know this country was the greatest producer of energy. In the sixties we started to go from a surplus producer to a net importer.

In the mid-sixties, of course, then the situation developed where the OPEC countries finally realized then, stimulated by the political situation in the Middle East, that they had an opportunity to move and they did. They increased the prices 500 percent. Now they are up 700 percent over what they were before. They have called for another meeting in June to consider how much of an additional increase they will place.

This is a totally new concept in international relations, political, economic. We talk of free markets. Energy certainly has been a free market in the world marketplace. The President of the United States recognizing the situation, after the studies he went through a year ago, in the State of the Union Address in January, he called for energy independence by 1985. And he presented legislation which was about a 500 and some page bill, for energy independence, which would achieve it by 1985.

When he did that and declared this was national policy, he automatically was taking the free market as far as the United States was concerned, from an international market to a national market, as far as production was concerned. This became national policy as far as the Administration was concerned.

Congress has had a pretty tough time with this problem because it is very hard, politically. It isn't only Governor Exxon who is not aware of the fact it is a crisis.

A very large percentage of the American people aren't sure there really is a crisis because the energy is coming in. We have all kinds of old legislation. So, old production is held at Four Dollars and some cents a barrel. New production is at a higher rate. So, the net result is there is not incentive to increase the production either for oil or for gas.

That has been under regulations since 1954, I guess it was. Of course, we know what the result is there. They brought the price down. This is a perfect example what disaster government can create when it moves into the free marketplace and sets a price, sets an artificially low price.

Perhaps it wasn't in the beginning because it was a byproduct in '22, or whenever they started this regulation. Now you have got the most desirable fuel, which is gas, government-regulated at a price way below the other fuels. Therefore, it has grown tremendously as far as the consumer is concerned, whether it is industrial or residential, at a totally artificial price.

Now, we are in a situation where there is no point in producing more because the price doesn't make it worthwhile. Therefore, we are getting into greater and greater shortages in that field. It is different with oil because that is an international situation. But as far as this country is concerned, we face a situation where we are living on borrowed time, in a sense, domestic production going down, foreign imported energy going up.

It ought to be close to \$30 billion next year, foreign exchange. If it hadn't been for Iowa and a lot of other States that have this extraordinary capacity to produce food and the world needs food, we are exporting now close to \$20 billion of grain and other food products, we would have the most tremendously serious balance of payments problem in this country right now.

But it is just thanks to the farmers and industry which supports them and their ingenuity in bringing in 60 million new acres. What other country in the world could have done that, except the free enterprise country and farm industry, backed by the free enterprise industry, which has kept our system in balance which is lucky.

You can't rely on luck too long without a little forward planning. There is no other group in the world known for forward planning, after careful analysis of the problems, more than American industry. You have this down to a science.

Yet, here we are with the basic requirement of our industrial society and our whole way of life, which is energy, and there is no consistent effective national planning, in terms of action, that is being done today to protect the future, and not only of each one of your industries. I am talking about Ohio, our good friend, the Governor there who just got reelected. He has been in Washington twice on this problem of gas because they lost 600 thousand man days of work last winter due to the restrictions on gas that was allocated to homes.

We had warm winters for the last two winters. Wait until we have a cold winter. Let's pray to God that we don't. But we should have added that to the invocation.

(Laughter.)

If we have a cold winter, we have had it. I won't get into that because I am praying, too. But what has happened is, and it is understandable, we have got a political situation with a Republican Administration and a Democratic Congress, and an election. The Congress is trying to read the public and they are trying to figure what is going to happen next year and how they are going to get reelected. That is the business they are in. You have a one-year cycle. They have got a two-year cycle.

It now looks as though they were coming out of conference between the House and the Senate with a compromise bill that would lower gas prices until after everybody is reelected, and then they start going up again.

By lowering them it will encourage increased consumption. As a result of increased consumption there is further discouragement of further production, we are going to have increased imports. And we are going to be further dependent on a potential boycott.

I have to say in this world, in conflicting ideologies that exist, and with what the Soviets are doing in their development of perhaps the most unique development in the history of naval operations, the Navy now has developed in the last 18 years or 10 years -- 18 years Admiral Gorshkov has been responsible -- has a capacity now worldwide.

If for any reason they decide after we got into some kind of a conflict somewhere, they can cut off the supply so it isn't only the countries that produce it, but it is the control of the sealanes which increasingly are getting out of our hands.

Everybody takes freedom of the seas for granted. But, believe me, ladies and gentlemen, forget it as far as that being something you can take for granted in the future. It just isn't going to be true the way things stand today.

Therefore, we are doubly vulnerable on the imports. The extraordinary thing is we have this unbelievable God-given wealth of natural resources. We have the capability to produce the energy from a series of different sources here within our own country.

Obviously, the days of cheap energy are gone. But we have that capacity and you have the technology to develop, or you have the scientific capabilities and technological capabilities to develop the production, if the incentives are there and if that balance between the risks and the fears, or the advantages and the fears, or whatever. What did he call it? Opportunities and fear, whatever it was, that balance if the incentive is there.

It has been estimated that to produce an economy in this country that is self-sufficient in energy, will take a capital investment of approximately \$600 to \$800 billion by 1985. That represents \$600 to \$800 billion out of what is estimated to be needed in capital formation between \$4 trillion 300 billion. That is the estimate.

There is a little shortfall there, capital formation. I think that is a subject I don't want to get off on too much. But I think you ought to take a look at the figures. In the last 13 years the U. S. has averaged 17.5 percent of GNP, capital formation. France has averaged 24.5, West Germany 26, and Japan 35. So, we are not doing so well on percentage of GNP going into capital formation. But that gets back to the government policies and the incentives.

I think and feel very strongly about it. I know I reflect the President there. There is a time for bold actions here based on long range planning, the best interests of America and of the American people with bipartisan support and business, labor and government cooperation and support.

As I have said, we have got the resources. We have got the managerial ability in the private enterprise system, to achieve it. I have given you the costs. But we need clear government policy and clear government incentives.

The President has recommended to the Congress of the United States an Energy Independence Corporation with authorized borrowing power of \$75 billion and capital of \$25 billion to stimulate and take the area of risk, to get off dead center, as far as this country is concerned in becoming self-sufficient in energy and getting ourselves back so that we have the ability to get, not only self-sufficiency but to then get our economy rolling and get the jobs that are necessary and to get the growth that is necessary and to get the strength that is necessary and the capacity to meet people's needs at home and our responsibilities throughout the world.

One could say, well, this is getting the government into private enterprise. Just take off the restrictions and private enterprise won't do it. That is wonderful and the President has recommended in the bill to remove these restrictions which are inhibiting the risktaking and making the risk too great. But this is, as I said, an election year. There isn't going to be action on that bill.

We might as well face that one realistically. We have got the problem here. As the Governor from Texas said, we would be speaking Japanese if we had acted like that in Pearl Harbor.

Let me cite some few examples of what government has done when national policy wanted to get something achieved. Let's go back to the railroads when we wanted railroads across the United States.

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The government made available land, free to the railroads and enough for cities or communities for which the railroad could sell, which gave them extra money.

Take the automobile industry. That has built and prospered because State and Federal governments have built highways and communities.

Take aviation, research and development on military airplanes, 75, 85 percent responsible for the development of our commercial airplanes, and the government has put a lot of money into airports and the control of airways.

Or take the nuclear industry, which is a major industry in this country that grew out of government research and development. Take American agriculture, which I just mentioned and the extraordinary job which it has done. The American farmer has had the benefit of the Federal Farm Credit system, which is one of the most ingenious and extraordinary credit systems in the country; the Rural Electrification, take housing, like the automobile industry, another basic industry in the country. The FHA mortgages or the Veterans Administration mortgages, these are all where we have had government action, cooperating with private enterprise to create objectives or achieve objectives through the free enterprise system.

Some of it has been consciously planned. Some of it has just happened. It just seems to me that the objective has got to be energy independence and that the Energy Independence Corporation gives the possibility of achieving that.

I will give as a small illustration, the problem that is probably the closest. During World War II, when the natural rubber supply was cut off, the RFC set up the Rubber Reserve Corporation. They worked with 5, 6, 7 companies in developing synthetic rubber.

I don't know what the numbers are. But four or five of them succeeded. The government sold the plants at the end. A new industry developed. The government got its money out of it and America is now self-sufficient in rubber, if it wants to be.

This is not something new and to be afraid of. Let me take some of the objections. One of the principal objections would be the loss of capital allocation by government. When the President or the United States said this country must become self-sufficient in energy and it will cost between \$600 and \$800 billion, if it is achieved by private enterprise, there has got to be a capital allocation or you won't achieve it.

It hasn't gotten off dead center because of the risks, the uncertainties. Therefore, for government to invest on a self-liquidating basis, which is the purpose of this corporation, either through loan guarantees, investments, lease-purchase contracts, and then at the end of each year the corporation can make no further commitment at the end of 10 years, it goes out of existence. So, we are not building a permanent new bureaucracy. And the objective is to sell all of these investments as rapidly

as can be sold and get out of it. The government is simply a catalyst in getting an objective through the free enterprise system. If you just take the \$30 billion we will be spending next year and if that \$30 billion were spent in the United States in producing energy here, that would produce at least a million jobs directly.

Looking for jobs at this moment in the country, I think we have got to have the economy rolling. As far as capital allocation is concerned, I don't think that argument holds up. As I said before, the arguments given, we will take off the restrictions and regulations and so forth, and we will do it. But, that is unrealistic in terms of the present situation in this country.

If you look at the polls, you will find out that the American people are for government regulation by quite a substantial margin. They are against red tape and bureaucracy, deeply bitter about red tape and bureaucracy in Washington. But they want regulation.

Therefore, it is a very delicate balance as to how that is going to be adjusted. Another comment is, this is the first step of government takeover. I would like to say as one who has been, in a modest way, a beneficiary of the free enterprise system --

(Laughter.)

That I think the real danger is, and let's face it, we have got to talk realistically here, the real danger is that we will not produce what is necessary. A crisis will come and then those who don't happen to believe in the free enterprise system, believe me, ladies and gentlemen, there are more of them in this country than you realize. Probably, you do realize. There are some in Congress and many on the staffs of Congress that when that moment comes and the crisis comes, these people will say, "The industry has failed. We have got to take over."

There are a lot of them who see that coming and are waiting for it and who don't want to see things done to make it possible to have the private enterprise system meet this need for our national security. I don't think it is a takeover. The thing has been designed exactly the opposite. I think it is the best insurance to avoid that possibility.

How does it work? I mentioned the capitalization. These are some of the criterion that only projects contribute to national self-sufficiency or independence would be eligible, only projects or programs, or whatever you want to call them, projects that cannot be financed by private capital.

In other words, anything the private capital financed, then this wouldn't have anything to do with it. In order to ensure that this would be the case, there is a provision in the law as presented by the President that no loan would be made at a lower rate than the average of the successful operations that are going on now.

So, this would not be pushing the private capital out of the field. It would be simply supplementing.

The third point is to the maximum degree possible, private capital would have to participate in the project. So, it would be in there and would be done through private enterprise and self-liquidation. I mentioned the eight and ten years.

Let's take nuclear energy. Last year, 20 more nuclear power plants were cancelled, 120 were delayed. The President in his message in January called for 200 nuclear power plants by 1985.

We all know the delays and the problems. One of the problems, I know right here, in this state is you can't get the costs of a nuclear power plant. Let's say it is a billion on your rate base. You come on stream. You have got all of the restrictions, and economic problems. It may take 11 years.

Therefore, it is almost impossible to finance it. There is no reason this corporation on a lease-purchase basis could not build a nuclear power plant and contract with a private corporation and working with the local regulatory body, get the rate increase agreed to in advance, when the energy comes on stream, and then the private power company takes it over and starts to buy it through a lease-purchase and the rates are increased.

Sure, it is difficult, and it is a little innovative. But this is true in gas, gasification of coal, liquidation of coal. It is not unknown. This is expensive. But there are plenty of industries who want to get the gas and are willing to pay for it.

As far as oil is concerned, we have four times as much oil in shale in this country as the known reserves in the entire Arab world. The problem is, how to get it out. There is no problem about taking oil out of shale, if you cook it, mine the shale. But the trouble is you end up with more of what I call talcum powder, in the form of the shale, which has been cooked, the oil taken out. Therefore, the problem is what do you do with it?

This comes out of Colorado and areas in the West, where there is very little water. You can fill the valleys in it. But it blows away if there is a wind. You have this talcum powder blown all over the West. And the ecologists -- well, I don't even have to say.

(Laughter.)

But, on the other hand, the laboratories, which have done the most important work in this country in connection with research and development in the military field, they feel you can drill down into the shale, what is known as the in situ process, set it on fire, do the process underground, take the oil up in the form of gas in the pipe and condense it on the surface.

There is a lot of people who don't think that is possible or who think it is way out and probably a commercialized plant would cost \$200 million. It is too risky for private enterprise to take that risk. But why shouldn't it be done in combination with government and private enterprise, and sold, if it is successful. Maybe we will produce a source four times as great as the resources in the Arab world, in the OPEC structure.

The same can be done for gas and coal, deep coal mines, narrow veins, hard to mine. There is no reason why this process couldn't work, in situ, and avoid the problems. Burn it underground, take it out.

There are lots of problems. But let's face it, ladies and gentlemen, when that little group of scientists went to Roosevelt and said it was possible to produce an atomic bomb, there were lots of problems then. A lot of skeptics said it couldn't be. Yet, that may have been true. Yet, the willingness of the President to take that risk at that time may well have been the thing to help preserve the freedom of America and the world.

Maybe we have to do this to solve our problem so we can't be blackmailed and so we can continue to have the growth which you all are producing, but which is based on energy.

I don't need to go into anything further on this, except to say this bill provides for related facilities, such as roadbeds on railroads and an investment in railroads that has to affix its roadbeds; the pipelines, if they build more coming down from Alaska. The Senator tells me you can produce six million barrels a day in Alaska, if you really go down; and lots of gas, too.

But we have got the capacity. We have got the resources. We have got to get off dead center. We have got to get our economy rolling if we want to keep this society as it is and have it open in 10 years, 10,000 years from now. I want to be sure we are okay 10 years from now.

I would like to say in closing with your support, as well as that of labor, that this bill can pass the Congress. Without it it won't -- I want to be frank, the result will be to get us off dead center, as I have said, on energy development, economic growth and jobs.

We can and must meet our energy needs. I would like to say, ladies and gentlemen, we can meet your energy needs and our ecology needs. We don't need to get into that fight. The scientists and technologists have got the capacity to get these problems solved. I don't worry about it.

It costs us a little more, but it is essential for our society. So, we can restore the strength for America. I would like to say, in closing, I have faith. As I said when I was sworn in, which was just a year ago, and I have one more year to go -- I copped out.

(Laughter.)

Maybe I should say to you that while you were very gracious about my responsibility while the President is away, I don't want to disillusion you there. There is no responsibility, except the honor of presiding over the Senate which is a great pleasure, except that I can't speak without unanimous consent. They have only given me that twice.

(Laughter.)

(Applause.)

If I have talked a little long today, you will know it is because I have been quiet before.

(Laughter.)

Except for that, I am the staff assistant to the President. Let's be honest about it. This Vice President stuff --

(Laughter.)

I referred to it in 1960 as standby equipment. But at that point I wasn't interested in it. Let me just say in conclusion, that I have faith and there is nothing wrong with America that Americans can't right.

Let's do it, ladies and gentlemen. Thank you very much.

(Applause.)

END

(AT 2:20 P.M.)