

A 'Golden Age' Of Austerity

The following are excerpts from Energy Secretary James Schlesinger's remarks to the American Petroleum Institute conference held in Houston Nov. 16. Although the speech was widely reported as an effort to conciliate the oil industry, and many passages reflect that desire, Schlesinger made it perfectly clear that the promise of prosperity he was holding out to the industry was strictly limited by a Malthusian perspective of "limited resources" which required a general effort toward economic austerity. The New York Times reported that many industry executives had walked out of the speech while it was in progress.

...I want to talk to you briefly this morning about three matters. First, the national security. Secondly, I will turn to some issues that have seemed to me to have pervaded the mind of the industry which I regard as unproductive. And thirdly, some areas which I will express some personal judgments on, but they are, it seems to me, appropriate areas for discussion and debate.

With respect to the national security there has always been a close and intimate connection between energy production and security...

In 1956, as a result of an explosion in the Middle East, the shutting capacity in Texas and elsewhere was sufficient to tide us through a period of turmoil, and not only tide this country through that period, but to provide the necessary fuel for our allies in Western Europe that had been cut off.

That intimate connection between the national security and energy production underscores American preeminence in the world after 1945....

In recent years we have become increasingly dependent and dangerously dependent upon sources that are insecure. It is a period in which the relative military strength of the United States has declined. It is a period also in which the external world has grown more fractious and similarly, the growth of our dependence has contributed to greater difficulties with regard to the national security...

The attacks on the plan from the petroleum industry on the one hand, or by consumer and labor groups on the other hand, are irreconcilable. The only point of agreement is that there are deficiencies in the plan from the standpoint of those particular groups....

...I jotted down a number of points that I wanted to bring to your attention as part of what I regard as a mythology that has spread widely in this industry, and which really has no direct relevance to the present problems that the nation faces....

What are these points of mythology? One is that the federal government or people in Washington do not believe that there is more oil and gas out there. That is

not true....

...Of course we do not depend entirely upon American reserves for our consumption of oil, and that is part of our political and economic and security problem.

The second point that I should like to make is that there are no incentives in this program. We had thought that there were generous incentives. Indeed, in our naivete we had expected some grudging acceptance, indeed, even a degree of enthusiasm on the part of the industry about the national energy program. It resolved the issue of whether or not oil prices should be at the world price level, and indeed, it provided, for the first time in history, that the world oil price would be provided to producers for new oil...

With regard to gas prices, \$1.75, rising, the BTU equivalent to fuel oil, to domestic crude, represented a price that in light of the tangled history of emotions over the natural gas act, was a very generous price indeed, and it would apply to the interstate market....

A third point under this heading I will put as suspicion or paranoia. There is some tendency to believe that all those folks up there in Washington have it in for the industry. That is least an exaggeration. Some do....

A fourth item under the heading of mythology, that this program is all conservation and no production. That, I think, is a colossal exaggeration....

What we are attempting to do is very modest, which is to squeeze the rate of growth of energy use in the United States, from approximately four percent to two percent....

Providing certainty for the industry, it seems to me, is necessary, and in that you can help us. If you ask for too much, more than is politically acceptable in this country, you may get it temporarily, but it will not be consistent with stability in planning....

...For a variety of reason, mostly unwelcome, in terms of the prospective availability of oil in relation to worldwide demand, we will see a future in which oil prices gradually go up. This will be the golden age of the oil industry. It will be temporary. In a sense it will be an Indian summer for the use of oil as a fuel. But it will be, for the next 20 years, golden age of the industry that will rival in many respects the romance of oil of the past....

...This will be a difficult transition for our entire people. We have had it, in a sense, too easy, in terms of the availability of cheap and abundant sources of energy....

...But this industry, as I indicated at the outset, has, as its fundamental belief a can-do attitude, that you will get the job done. And once we get past this period — what did Thomas Jefferson say — of barbarous and petty squabbles, I think that that can-do attitude will help carry this nation through in a difficult period....

What They're Saying About Schlesinger

"There is something less than 100 percent support for Schlesinger inside the White House... On Capitol Hill, he's seen as a puppet on a string. Schlesinger is in a precarious position."

— *the office of a leading Western Democratic Representative.*

"I understand the oil industry is up in arms after Schlesinger's recent speech to the American Petroleum Institute in Houston. The word here is that they're digging in their heels and will make no substantial concessions to him on the energy bill."

— *a Washington source with excellent access to the business community.*

"Schlesinger is a calamity. The conservatives don't trust him and the liberals don't believe him."

— *an unnamed liberal quoted by columnist Mary McGrory, frequently a conduit for the views of the Kennedy wing of the Democratic Party.*

"My sources in the White House indicate it is likely that Schlesinger will be the first Cabinet official to be replaced in the Administration."

— *syndicated columnist Jack Anderson, on the ABC-TV program, "Good Morning, America."*

"It wouldn't surprise me at all if Schlesinger were on his way out as Energy Secretary."

— *a syndicated columnist well-known as a long-time intimate of Rockefeller Family circles.*

"Schlesinger has a real credibility problem in Congress."

— *the office of a prominent midwestern Republican senator.*

"Can the Administration adopt a rational energy policy? Not as long as Schlesinger writes it."

— *Republican Senator Harrison Schmitt, in response to a question at a conference of the American Nuclear Society in San Francisco.*

"Arrogant...puffy...lugubrious...eminently hatable. He sold House liberals on the energy bill...they sold it to their constituents...and it hasn't been a good bill to defend."

— *the office of a midwestern Democratic Senator*

"I don't think he intends to stick around for the long haul"

— *a source personally close to Schlesinger*

ExIm Bank Fight

A major battle is now shaping up in Congress and in the business and regional banking communities over the future of the Export Import Bank, whose charter comes up for renewal in early 1978. All parties to the fight agree, implicitly at least, that far more than the ExIm Bank per se is at stake. What is actually being debated is the future of the increasingly export-dependent U.S. agricultural and industrial sectors, and the fundamental stability of the U.S. economy as a whole.

The Congressional hearings on the bank's charter, which are scheduled to begin in the Senate Banking Committee when the Administration submits its charter recommendations in late January-early February, are promising to develop into a far-reaching argument, over much broader economic and political policy issues.

The battle lines over the ExIm Bank are being drawn between two basic factions. On one side is the vast majority of U.S. industry, labor and agriculture who view a vibrant, expanded ExIm Bank as a key vehicle for promoting economic prosperity by underwriting an aggressive program of increased, high-technology exports, along the lines spelled out by former Treasury Secretary William Simon in his speech to the conference

on "Capital Formation for Exports" held in Chicago November 29.

On the other side is the "British faction" group around Treasury Secretary Werner Blumenthal, Energy Department czar James Schlesinger, and Special Trade Negotiator Rober Strauss, and their New York-London investment banking constituency. Actively engaged in a City of London conspiracy to bring down the dollar — and the U.S. economy along with it — these wreckers are opposed to any measures which might bolster the U.S. economy — Blumenthal's recent statements supporting increased ExIm funding notwithstanding.

On the ExIm Bank question, the "British faction" forces in Congress are being led by William Proxmire (D-Wisc.), chairman of the Senate Banking Committee, and Clarence Long (D-Md.), chairman of a House Appropriations subcommittee. Both Proxmire and Long are fully committed to doing away with the ExIm Bank altogether. Proxmire — whose longstanding ties to Lower Manhattan financial circles are well-known — is expected to argue at the upcoming hearings that the "private sector" can do the work of the ExIm Bank far more efficiently — in hoped of roping conservative "free