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Mike Mansfield 1903-2001

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the United States to discuss energy legislation and the approaching September 1 deadline, at which time decontrols and allocations would automatically expire.

As I say, I went down there in my own capacity, on my own initiative. As a result of the conversations I had with the President, I informed him that it was my intention to call a conference of the Democratic Senators on either Wednesday or Thursday to discuss his suggestions and my conversation. That meeting will be held at noon tomorrow, at which time I will make a full report to the Democrats assembled, and whatever action will be taken at that time will be taken by the Democrats in conference assembled.

Mr. President, I ask unanimous consent that I may have printed in the RECORD at this time a statement I made on the price of gasoline and what I proposed, dated July 22, 1975; also, a letter to the President dated August 1, 1975; a letter to the President dated August 29, 1975; a paper on the Energy Allocation Act and why it should be extended; a paper entitled “The National Interest Would Best Be Served by Extending the Emergency Petroleum Allocation Act”; and also a paper entitled “Settling the Oil Price Issue With a Program of Gradual Decontrol Is Possible,” stating that it would be enacted in 30 days under certain circumstances. All the material from August 29, 1975, has been sent to every Senator in this body, both Republican and Democrat, including our newest Member (Mr. Cotton), and also to the House leadership, so that everybody will be aware of what I was attempting to do on my own initiative and be informed thereby.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

STATEMENT OF SENATOR MIKE MANSFIELD, JULY 22, 1975

There is no question but that the price of gasoline is going to increase, no matter which way we turn. The President has proposed a gradual decontrol of prices on oil produced in this country from fields that were in operation in 1973, that is “old” oil. The price of that oil is $5.26 per barrel, while the “new” oil produced sells for roughly $13.50 a barrel, the same, in effect, as imported foreign oil. There are no price controls on crude oil produced from new fields, from small stripper wells in old fields, or on above-1972 production levels for old wells.

There is little or no incentive for owners of wells which produce an average of 15-20 barrels a day to keep on producing under present circumstances. They could let their production decline below ten barrels daily so that they could qualify for the free-market stripper-well prices and, as a result, could make more money from producing less oil. They will not invest in secondary or tertiary recovery methods because they could not afford to do so while they receive $5.26 per barrel.

The existing controls expire on August 31. If they do, there will be a very abrupt in-
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crease in prices which will tend to halt the economic recovery which now seems to be in progress and turn it into a backward slide. The President has proposed a plan to phase them out over a 40-month period. Federal Energy Administrator Zabriskie has stated that this would increase the price of gasoline by 21 cents per gallon by the end of this year, by 23 cents more in 1976 and by 3 cents more in 1977, for a total increase of 36 cents. In my opinion, this is an understatement of the price rises which would very likely occur.

It appears to me that there is room for compromise between the Congressional and the Administration points of view. If something is not done and this deadline is allowed to continue, the people will suffer more and more. The oil produced will be less and less desirable crude oil. If this would have throughout the economy, would be disastrous. The President cannot and must not have the all these developments on the Administration's August 31. The deadline which now exists must be broken and perhaps some of the suggestions I have made in this letter can be reached in a compromise which will benefit the people of the nation and the economy. If we cannot, as representatives of the two branches, work towards such a possibility for the common good, then we have said at the beginning would still hold, except that the 'impossible' economic results would be catastrophic.

No matter what we do, it is going to call for some give and take. If the Compromise is to be achieved, the reorganization of the government in the oil industry will have to be done.

I am frank to say that I do not now what the Administration or the Congress, seek abrupt and total decontrol. Together, both Branches and both parties have worked to prevent price and income increases. It is my view that the President also should put an end to the $2 a barrel tax on imported oil. An excess profits tax, if allowed to be retained, would produce an excess profits tax, if allowed to be retained, would be a double taxation. These increases would have throughout the economy, would be catastrophic. The President cannot and must not have the all these developments on the Administration's August 31. The deadline which now exists must be broken and perhaps some of the suggestions I have made in this letter can be reached in a compromise which will benefit the people of the nation and the economy. If we cannot, as representatives of the two branches, work towards such a possibility for the common good, then we have said at the beginning would still hold, except that the 'impossible' economic results would be catastrophic.

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DEAR MR. PRESIDENT: On August 1, I write you expressing my personal view that the national energy policy should be extended by a phase-out period of 6 months. In my view, the nation has any opportunity to consider the matter further and am even more firmly convinced of the impending peril to the economic system in America from over-pricing and abrupt decontrol. I am convinced as well that if given a little time to continue the Executive the possibility of a more orderly and less disruptive approach to the pricing problem in the energy market already is encouraging. For the sake of the Nation, I hope we are allowed to continue to make a constructive effort to our success I stand firmly committed.

Respectfully, 

MIKE MANSFIELD

THE ENERGY ALLOCATION ACT SHOULDN'T BE REPEALED. CLEARLY, DECONTROL WOULD BE THE BEST SOLUTION TO THE PROBLEM. 1. The Congress and the Administration can produce a reasonable solution to the
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oil price question which includes an orderly phase-out of controls and far less disruption to the economy than would occur from total and abrupt decontrol.

2. Total decontrol with the ripple effect means a disastrous double-digit inflation with higher costs for food, gasoline, clothing, air transportation, medical costs, home heating, and many other things.

3. Total decontrol means a return to 9 percent unemployment and, very likely, double-digit inflation.

4. Total decontrol means a budget deficit even larger than now projected.

5. The final cost hardest hit on the poor, the unemployed—those least able to bear the burden.

6. There are no mitigating measures; no windfall profits taxes; no tax cuts or rebates; and no competitive protections for small, independent producers who will be driven out of the market.

7. OPEC intends to raise prices—it meets September 23—thus creating even greater disruption to the economy.

THE NATIONAL INTEREST WOULD BEST BE SERVED BY EXTENDING THE EMERGENCY PETROLEUM ALLOCATION ACT

1. Virtually all economists agree that if the Petroleum Allocation Act is not extended and it means chaos and disruption to the economy.

2. Even without the $2 per barrel tariff on imported oil, oil decontrol would directly inflate oil prices by $13 billion annually.

3. The $2-per-barrel tariff and ripple effect could cause between $20 and $30 billion in inflationary impact on the economy.

4. The stimulus of the tax cut would be wiped out.

5. It will drain consumer spending power for all other goods and services and will badly hurt the economy.

As Examples: The costs of propane, of fertilizers, of air transportation, of auto transportation, of synthetic fibers will all increase.

5. OPEC is scheduled to meet September 23 to discuss increases.

a) A $1.50 per barrel OPEC increase will add another $8 to $10 billion annually to inflation—further increasing the costs of all goods and services dependent upon petroleum and its by-products.

b) The last round of oil prices signals OPEC that high prices are o.k. Decontrolling domestic prices and removal of the tariff does not provide an opportunity to increase their prices by $2 and claim they are not increasing the total price for the future.

6. The absence of domestic controls, any increase posted by OPEC may be quickly followed by increases in domestic prices as well. Veto of the Petroleum Allocation Act removes the FEA's authority to establish domestic oil prices and effectively substitutes OPEC price control over domestic energy.

7. Steeply higher petroleum prices will reduce the demand for all other goods and services. As a consequence, the impact on employment has been estimated to be a loss of up to 500,000 jobs. The transportation industry, food processors, medical supplies, universities that can't pass on costs, and many other sectors will be especially hard hit.

8. Winter is approaching. The loss of petroleum allocation authority will severely impact the demand for all other goods and services. As a consequence, the impact on employment has been estimated to be a loss of up to 500,000 jobs. The transportation industry, food processors, medical supplies, universities that can't pass on costs, and many other sectors will be especially hard hit.

a) With the expiration of allocation authority, controls over propane will lapse. Propane prices to farmers and rural residents will soar, and supplies of propane will be very tight to household consumers. Without allocation, utilities and large industrial users that are experiencing natural gas curtailments will monopolize available supplies.

b) With projected shortages of natural gas, it is imperative to have a petroleum allocation program in place to assure that the alternative fuel supplies are made available to curtailed gas customers. This will help minimize the number of plant closings due to fuel shortages.

c) The availability of oil products to sparsely settled sections of the country will be endangered by a mandatory petroleum allocation program.

d) In the event of a severe winter, or in case of a fuel shortage, it is essential that the machinery for allocating petroleum products be continually in place.

4. There are no protections for small independent producers.

5. The termination of the Emergency Petroleum Allocation Act threatens to severely reduce competition in the petroleum industry.

a) Elimination of controls will mean that many independent refiners will be squeezed out of business by the major integrated petroleum companies who will have access to much lower cost crude oil. The old oil will not go up in cost to the integrated producer, but only to the independent purchaser.

b) Elimination of controls with the independent service station operators will be seriously endangered by the absence of a pricing and the cost and supply advantages that will accrue to the major integrated petroleum companies.

6. There is already evidence of the damage to the economy of decontrol.

a) Many large companies have already substantially increased their prices in recent months by passing through costs.

b) This has created much greater public hostility to even further price increases.

c) The most recent reports on inflation indicate that food and fuel prices are again causing rapid inflation throughout the economy. To prevent this cycle from getting out of hand, it is imperative that oil prices be controlled.

d) Even the petroleum industry no longer speaks with one voice. The Mobil Oil Corporation, in a letter to the members of the Senate dated August 22, 1975, calls for phased decontrol of oil prices over an extended period of time and indicates that immediate decontrol as would occur with the expiration of the Emergency Petroleum Allocation Act "might cause a shock to America's fragile economic recovery."

(e) Arthur Burns has indicated that oil price decontrol may result in a 2-percent increase in inflation, substantially more than the Administration's estimate. All of these factors may shift the balance in favor of overriding the President's veto.

7. A veto will hurt the chances for enacting a national energy program. A veto at this time means a total commitment to 87-high prices by the President. Signing the bill provides the opportunity for compromise (simply because it is only a six-month extension). The House is currently considering H.R. 7014, which is scheduled to be completed on an urgent basis. To that measure can be added the product of any compromise worked out between the Congress and the Administration.

Seizing the Oil Price Issue With a Program of Gradual Decontrol Is Impossible

It Could Be Enacted Within 90 Days

I. Only a short time is needed to settle the decontrol issue.

The House voted 238 to 189 on the President's proposal to phase out controls over a 90-month period. A~en switch of 20 members indicates that the two branches are coming closer to settling the oil price issue. In the national interest, this report must be continued to avoid the economic disruption of total and abrupt decontrol and to prevent a return to double-digit phase-out well within the next 30 days. When it returns on Wednesday, the House will have under consideration H.R. 7014, the energy bill to which a phase-out program could be added. For its part, the Senate could consider a phase-out proposal within the next 30 days and the Leadership is willing to commit the Senate to that undertaking.

The alternative of veto (unless overridden by a 60-day extension) is a losing compromise. This alternative moves the nation into total and abrupt decontrol on Labor Day. OPEC meets in three weeks and any price increases will mean higher prices then and thereafter would be dictated by the OPEC cartel. In 30 days, Congress and the Executive together can settle on an oil price policy for American consumers. The veto alternative would vest the OPEC cartel with this power.

II. Time is needed to act on other essential measures related to decontrol.

Gradual decontrol is part of a comprehensive program requiring other legislative action. Time is required to enact these proposals needed to offset the adversity of decontrol.

Only if S. 1849 is not vetoed would Congress have the time—the opportunity to enact other essential elements of the President's program which complement decontrol and provide protection for consumers and the economy.

These include windfall profits taxes, tax rebates/cuts and the preservation of competition (protection for small, independent producers from predatory practices by large companies).

None of these measures are now on the books. They too could be considered and disposed of within 30 days.