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ENERGY

America is at war. ~~Xxxx~~ At least, that's what President Carter told us ~~so~~ a couple of Aprils ago, when he declared ~~that the~~ the ~~[illegible]~~ energy crisis ~~is~~ to be the moral equivalent of war. If that's~~x~~ the ~~xxxx~~ case, then ~~Axx~~ America's consumers are its shock troops, and the casualties are rising; we are being asked to drive less, pay more, tighten belts, heat less, and wear ~~warmer~~ sweaters, all in the name of sacrifice, ~~until we can~~ to defeat that ~~amorphous~~ faraway ~~xxxxx~~ menace called OPEC. Meanwhile, the government battles back with DOE, ~~ESC~~, ~~EFB~~, and a panoply of other paper solutions to the crisis. ~~While we haven't come to shooting yet,~~ We face in this energy war ~~x~~ of the seventies and eighties a quagmire as morally devastating ~~xxxxxxxxxxxx~~ and tactically ineffectual as the Vietnam War of the sixties. And unless we adopt a winning strategy now, in a ~~fxx~~ few short tomorrows we will have to accept an energy "Peace With Honor" ~~which~~ that ~~is~~ will be no more than the moral equivalent of defeat.

A defeat, you will recall, is what the United States suffered in Vietnam. As inglorious as the loss was diplomatically, however, the greatest immorality of that war was that our government sent ~50 ~~xx~~,000 ~~xxxxxxxxxxxxxxxxxxxxxxxxxx~~ troops to their deaths without ever attempting to win. ~~x theyxxxxxxx~~ Our policy-makers asked our young men to fight and die, while they debated how not to offend the enemy. The result was a decade of despair and dissent, with the protest march ~~nearly became a national~~ as its symbol.

~~If you haven't noticed,~~ (stet) the protest march has returned. ~~Xxxxxx~~ In October, thousands of people flocked to the streets in 100 cities to declaim against high energy prices, ~~And~~ (stet) well they should; we've been in a permanent state of energy crisis since 1973, gasoline prices have nearly tripled, and fuel shortages of one kind or another have become almost commonplace. ~~Xx~~ Yet the government is asking the American people to sacrifice their lifestyles, without even attempting to win the energy war. This kind of ~~xxxxx~~ policy -- one that condemns

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the U. S. en~~e~~rgy consumer to intermittent shortages, tight supplies, and ~~worst~~ ever-increasing fuel prices -- is one which cannot -- and should not -- be tolerated.

Instead, U. S. energy policy should have as its purpose ~~be aimed toward~~ providing ~~two basic goals:~~ stable long-run prices ~~and~~ adequate domestic supplies of fuel, ~~We should also mold our energy polxicy so that it is equitable and protects the environment.~~ Any policy xkxxx which fails to meet these goals does not serve the interests of the American people.

Unfortunately, current U. S. energy policy instead of ~~does not~~ meeting these goals, ~~In fact~~ xxxxxxxxxx in many cases makes them more difficult to meet. ~~it moves us away from them.~~ But before we decide on how U.S. policy can be set right, ~~How do we get back on the right track? That's a difficult question, but it is one we must xx answer sincerely, competently, and forcefully. Before we do so, though,~~ we first must ask how we got where we are, and where it is we are going.

America's energy policy is a ~~series~~ of patchwork regulations, and bureaucracies crafted to meet ~~a~~ specific emergencies and then left in place, ~~to~~ becoming permanent rules. This haphazard policy-making xxxxxxxxxxx a~~pproach to making policy~~ bxegan ~~all the way~~ back in 1938, when Congress creaxted the Federal Power Commission to regulate the natural gas pipelines. Then, in 1954, the Supreme Court declared that ~~Congress had intended~~ the agency ~~to regulate~~ natural gas prices were to be regulated as well. ~~Congress and the President could never agree xx to lift~~ The Court-imposed controls were never lifted; to this day, 35 years later, natural gas price regulation ~~controls~~ remains.

XX In 1971, President Nixon imposed wage and price controls. Although he eventually lifted the controls on other prices, those on oil remained.

In 1973, during ~~following~~ the Arab oil embargo, the Federal Energy Office was created, and ~~This offices then~~ enacted emergency price-control and fuel-allocation rules. These were all new concepts, designed to meet a specific emergency, yet which persisted after the emergency: ~~We were given~~ the first federal agency to deal with energy on a broad scale, the first federal allocation rules to control the production and ~~x~~distribution of fuels, and the first controls on gasoline prices. ~~Even after the emergency, all three of these new concepts remained~~ to become permanent features of federal energy policy:

~~About the same time, the federal government pioneered the concept of mandatory conservation. By threatening to withhold federal highway funds, it cajoled the states into lowering the speed limits to 55 miles per hour. Though these speed limits were meant to be temporary expedients to help us through the embargo, they remain today, to the consternation of many thousands of truck and ~~drivers and~~ cross-country drivers.~~

President Carter has taken these prior controls as a foundation, and has expanded federal regulation of energy from there. In 1977, he created the $11 billion, 20,000-employee Department of Energy out of the still relatively small Federal Energy Administration, the FEA. which ~~The FEA~~ was a warmed over revision of the Federal Energy Office, which you will recall was created to deal with the oil cutoff emergency back in 1973. Thus, in ~~xxxxxxxxxxxxxxxxxxxxxxxx~~ less than four years, the federal government managed to create a massive energy bureaucracy from nearly nothing, and to institutionalize ~~It is of note that no U. S. cabinet department, once created, has ever been eliminated. The concept of~~ federal dictation of energy prices and allocation ~~has thus been institutionalized.~~

President Carter later signed the 1978 natural gas "deregulation" bill, which created ~~22~~ 23 categories of natural gas, and ~~xxxxxxxx~~ actually <u>extended</u>, for the first time, natural gas ~~xxx~~ price controls to gas produced and sold within the same state. He also expanded the concept of mandatory conservation, by increasing car mileage standards and, ~~xxxx~~ in 1979, imposing temperature limits for public buildings.

Have these ever-expanding controls ~~f~~solved America's energy crisis? The sad fact is ~~xxx~~ that they have not. The crisis, in fact, began with the 1954 Supreme Court decision, which held natural gas prices artificially low. This led to the overutilization of the ~~cheap fuel, and a~~ drastic reduction in the incentive to drill for more of it. The later imposition of controls on oil had much the same effect: the virtual elimination of ~~the~~ incentives for domestic production, ~~the elimination of the incentive to~~ ~~[illegible]~~ alternative fuels development, and the acceleration of demand.

As a result, the U. S. began to rely heavily on imports from the Middle Eastern oil-producing countries, or OPEC. We reached a xtemporary peak in oil imports in 1973 of 5 million barrels a day. Since then, disincentives to domestic production have further increased the importance of ~~stimulated demand for~~ foreigkn oil. Today, we are importing 9 million barrels of oil per day, almost twice what we were importing before the 1973 embargo. And don't blame American car driversx and other energy users. The rate of increase in demand has fallen since 1973, but the percentage of oil taken in imports xhas increased dramatically. Today we import almost half of the oil we use.

OPEC thus has placed the U. S. economy in a vice-grip. It can extract virtually whatever price xxxxxxxxxxxxxxxxxx it wants from us, because the price of oil products in the United States depends almost excxlusively on the price of imported oil from OPEC. Price control efforts are ~~have been~~ futile, when so much of the oil is beyond the government's control. ~~For instance, gasoline prices skyrocketed in the last six years, despitex the fact that the government operated wide-ranging controls on the price of oil at the wellhead, and the price of gasoline at the pump.~~

~~Similarly, the Department of Energy and its predecessors have failed. So have the fuel allocation formulxas.~~ The xxxxxy ~~Energy~~ Department has also ~~so~~ badly mishandled the U. S. Stxrategic Petroleum Reserve; xxxxxxx ~~that~~ the project is now more than a year behind schedule. And this fall the Department ~~also~~ ordered excessive stockpiling of heating oil in the Northexast, which has driven up heating oil prices substantially in that region.

By its own admission, ~~the Department of Energy -- and the fuel allocation formulas -- caused the gasoline shortages last spring. Note that carefully. The Department of Energy admits that it miscalculated. and~~ ~~It~~ order~~ed~~ing refiners to make too much heating oil, and too little gasoline, ~~It~~ and ~~also~~ allocat~~ed~~ing too little of the short supply of gasoline to the ~~fast growing~~ urban areas and other growth centers.? ~~Xxxxx~~ As a result, Americans got to know each other a lot better -- by waiting in two-hour-long gas line lines.

The Department of Energy and its predecessors, along with allocation formulas, gasoline price ceilings, and other complex regulations, have only made the crisis worse. By its own admission, the Department of Energy caused the gasoline shortage last spring, by

from 4

Have so much oil is worse still. It should be reversed. We should

Nor have mandatory conservation measures been ~~of much help.~~ the answer. X Americans are always willing to sacrifice when necessary, and they have faithfully cut out excess xxxxxx or wasteful energy use. But energy is such an important part of our lifestyle and our production that the only way to substantially cut back on consumption ~~a great deal~~ is to lower our standard of living. That means less economic growth, less income, and fewer jobs. And at a time when even the middle class is struggling to meet its monthly x bills, and when sevenx per cent of our workers cannot find a job, less income and fewer jobs ~~are the last things we need.~~ would be worse than an energy shortage.

We must ask: Why have these past efforts failed so dismally? After all, thexy seem like they should work. Energy prices are going up, so ~~if you~~ we place ~~slap on some~~ price controls on oil, natural gas, and gasoline, and that ~~ought to~~ will keep gasoline at 50 cents a gallon, ~~right? And~~ If we don't have enough fuel oil in the Northexast, we ~~can~~ simply require that oil companies produce more fuel oil and less gasoline, and that they ship more of it to the Northeast. Such measures look like they ~~That~~ should make xx everyone happy, ~~right? The answer,~~ but unfortunately, ~~is no~~ they do not.

In fact, U. S. energy policy has failedxxxxxxxxxx ~~during the past decade~~ prexcisely because ~~government officials have always done what only "looked like"~~ ~~it has been oriented 180 degrees opposite to what it would be~~ ~~would work~~ of such regulations that "looked like" they would work. U. S. energy policy has discouraged domestic energy production, crippled small inxdependent oil and gas producers, encouraged wasteful consumption and ~~discouraged~~ destroyed price stability. ~~stable prices~~. Xx U. S. energy policy has also subsixdized the big oil companies and foreigkn xxxxxxx oil impoxrts. Wow It's a univerxsally accepted rule of economics that you get less of what you discourage, and ~~you get~~ more of what you subsidize. Hence, we ~~have received~~ are facing less domestic energy production, fewer independentx producers, greater energy demand and x rising prices. We have been burdened by ever-growing oil imports from OPEC. And we have ensured that the profits of x the big oil companies keep going up, in some cases astronomically. Any ~~kind of~~ policy which gives us less of what we need, and more of what xwe ~~shouldn't have so much of,~~ don't need, is ~~nonsensical.~~ perverse and ~~It~~ should be reversed. ¶ We should have more domestic production, more small independents, and stable ~~xxxxx~~ fuel prices. We should have fewer oil imports, and less dominance of the energy market by the big oil companies. After ~~xxxxxx more than~~ nearly a decade of energy crisis, ~~three years~~ policies which ~~advocate~~ offer only ~~more of~~ the same will not do.

Yet look at what our national leaders are proposing. ~~Xxxxxxx~~ Are they aiming toward ~~more~~ increasing ~~xxxxxxxxxx~~ domestic energy production ~~at~~ and ~~xxxx~~ encouraging stable prices? they may say that they are but ~~I'll let you decide for yourself. But listen carefully. I think you'll find that~~ behind the lofty rhetoric is ~~they are proposing~~ more of the same -- more federal agencies, more controls on energy prices and production, and more mandatory conservation. In short, more of the same policies which have brought us shortages, high prices, foreign imports, and dominance of the energy market by Big Oil.

Let's look first at the most prominent, and most deceptive, of the Administration's energy policies -- continued controls on energy prices. President Carter, who campaigned with the promise to decontrol natural gas prices and then ~~who once~~ lambasted ~~natural gas price~~ decontrol as a "rip-off" ~~$70 billion windfall,~~ now ~~xxxx~~ proudly claims that he ~~xxxxx~~ decontrolled natural gas prices. ~~If he did, he has surely fooled the energy industry.~~ ~~Xxxxxxxxxxxxxxbill~~ Yet the decontrol bill he signed actually extended controls, and established a ~~xxxxxxxxxxxsystem~~ 23-tiered system for determining at what price the gas can sell ~~at~~. And, of course, prices will remain regulated for years to come.

President Carter has approved a 28-month gradual decontrol of oil prices, but threatens to reinstate controls or enact "more punitive" measures, if the oil companies will not accede to a windfall profits tax. I'll talk about that tax in more detail shortly, but let me point out that its major effect is to effectively recontrol prices. ~~So while~~ Thus President Carter has ~~may have~~ granted only the decontrol of oil, ~~he has done so only~~ symbolic, ~~ally~~ not substantive.

Finally, the Congress has voted to maintain price controls on gasoline, and President Carter has been unwilling to use his authority to lift them. ~~Now~~ While almost all experts agree that price controls reduce favor controls ~~object to decontrol~~ because they believe that ~~xxxxxx~~ higher prices will harm the poor, and the elderly who are ~~on~~ fixed incomes. ~~who cannot pay such prices.~~ And they are right in one respect: Pursuing a policy that increases ~~long-run energy~~ prices ~~for~~ the poor and elderly -- or for anybody else for that matter -- is obscene. But that's just what price ~~decontrol~~ controls have done.

In fact, the greatest increases ~~in~~ fuel costs have occurred while we have had ~~extensive~~ price controls. Prices have risen ~~They have occurred~~ because price controls have reduced domestic ~~production, and force~~ forcing us ~~to~~ depend more upon OPEC for our oil. And it is OPEC's ~~constantly~~ rising prices that is ~~are~~ the main factor in causing the ~~relative~~ price of U. S. energy to ~~continue~~ soar. Insert ① ~~Harvard economist Thomas C. Schelling has said, in fact, that "holding down the price of gasoline...is a very inefficient way to assist the poor... If we want to help the poor, there are many more direct ways."~~

Encouraging...

The more fundamental question is would removing price controls ~~But will decontrol~~ really hurt the poor? Would ~~Will~~ it really send prices skyrocketing even higher ~~more~~ than they have while controlled? The answer is, No, it would ~~will~~ not. The wellhead price of oil, for instance, accounts for only 20 per cent of the wholesale cost of ~~xxxxxxx~~ oil; pipeline costs consume the other 80 per cent. And ~~xx~~ the wholesale price of oil accounts for less than half ~~the~~ the price of gasoline at the pump. So even if removing controls doubled the wellhead price, which is not likely, it would increase the price of gasoline by about five cents a gallon in the short run. (To put this in perspective, one must realize that the Department of Energy itself costs Americans over ten cents per gallon.)

Furthermore, there are ~~xxx~~ those who argue, quite convincingly, that decontrol will lead to price reductions, ~~in the long run~~ ~~after domestic xxxxxx production goes~~ production increases. ~~xx~~ At the very least, decontrol should stabilize prices, since price controls ~~however,~~ ~~xxxx~~ discourage production in the U. S., increasing ~~xxxxx~~ ~~and~~ our ~~consequent~~ dependence on OPEC with its ~~xxxxx~~ constantly increasing prices.

Another insidious effect of price controls is that they eliminate competition by crippling the small independents. The oil price controls on the wellhead apply only to those companies which drill for gas and oil. But anyone who thinks these controls circumsribe Big Oil is ~~are~~ mistaken; the major oil companies' domestic operations are mainly refining and marketingx. Ninety per cent of all drilling in the U.S. is done by the 10,000 small independents. Thus, ~~thexxarexthexxonesxwhoxarexx~~ it is primarily the small companies who suffer under price controls. ~~which are forced to sell oil atxa/xxx the controlled~~ ~~By the effect of the controls is permanent~~ ~~price~~. When ~~the oil~~ oil and natural gas prices ~~is~~ are insufficient to recoup the~~ir~~ costs of discovering and pumping them, ~~they~~ companies will drill for less oil and gas. When ~~thexxx~~ the price is too low to provide any profit at all, ~~they~~ companies will close downx wells, or their entire business. These controls directly discourage energy production. In recent years in Calxifornia, for instance, as many as a third of the wells have been closed -- wxells that belong to the small independents -- because the controlled price was less than the cost of drilling. The oil contained in those shut-down wells may be lost forever.

~~What effect~~ Do the price controls have any effect ~~on~~ on xBig Oil? Very little. Since ~~the~~ the major companies do little ~~HUxAIxXXEXX only a small amount of~~ drilling domestically, the~~y major oil companies~~ are not hampered much by the controlled price. Overseas, where ~~The~~ the majors do most of their drilling, ~~overseas~~ ~~in the Middle East, for instance~~ -- where they do not ~~have to fixhx~~ face price controls. Unlike the small companies, ~~whose limited~~ have capital ~~is~~ sufficient ~~only to allow them to~~ explore ~~domestically~~ overseas, ~~the~~ big oil companies have the capacity to do most of their drilling oversexas. In fact, the existence of price controls encourages ~~the~~ who to conduct foreign drilling operations. ~~Because~~ Moreover, because the small companies are hampered by the controls, Big Oil can also co-opt a greater share of the U. S. market, ~~xxx with~~ since most of th~~e~~ increase in ~~share~~ oil production come~~s~~ from foreign imports. Price controls thus have th~~e~~ perverse effect of ~~they~~ crippling the small companies-which can only explore domestically,- and subsidizing ~~thexxpxratixxxsxxf~~ (boosting) Big Oil and foreigxn imports.

A second area where U. S. energy policy is badly misdirected is tax treatment. Currently U. S. ~~corporate income tax laws provide that~~ companies doing business in both the U. S. and foreign countries can divide their income into that produced domestically and that produced elsewhere. Whatever foreign taxes the companies pay ~~on foreign income~~ ~~on foreign income~~ is deducted from their total U. S. tax obligation instead of being treated merely as a business expense. ~~Thus,~~ this means that the major oil companies, who ~~which~~

~~xrixxx~~

... to consumers.

drill, for instance, in the Middle East, do not have to pay ~~any~~ U. S. income tax on those foreign operations to the extent foreign taxes are levied. ~~as lrge as U. S. taxes.~~ ~~Thusxxxixxxxtha~~ Since U. S. price controls don't apply to foreign-produced oil, the big oil-companies can therefore earn more income ~~andxpayxlessxtaxx~~ after taxes than if they drilled domestically. ~~Thex~~ This provision of the tax code ~~does not help~~ ~~that~~ provide any help to ~~the small independents, who cannot afford to drill overseas, at all.~~ ~~The tax code~~ benefits only Big Oil, and ~~More important,~~ it encourages the majors to drill in foreign countries, rather than the United States.

It is ~~for~~ these factors ~~reasons~~ that make the windfall profits tax ~~will be~~ counterproductive. Even if one ~~we~~ were to agree that increased oil company profits from decontrol ~~are~~ were ~~would be~~ windfalls, it is the ~~xx~~ small independents, and not the big oil companies, which would have to pay the tax. ~~Rxxxxkx~~ The tax is levied at the wellhead, and since the independents do 90 per cent of the drilling, they will pay most of the tax. The ~~xiixxxxx~~major oil companies, ~~xiii~~ which ~~we~~ do most of their drilling overseas, can almost completely escape the windfall profits tax, leaving ~~most of~~ the huge increases in their profits ~~will be totally~~ unaffected. For instance, only a third of Exxon's profits come from U.S. operations, and most of that comes from refining and marketing, which is not subject to the windfall profits tax. ~~In fact, the windfall profits tax is really a tax on consumers.~~

Decontrol is desirxable because it increases production. But the imposition of a windfall profits tax effectively recontrols the price, and eliminates most of the ~~xxxxxixxxtxxx~~ independents' incentive to ~~x~~drill for more oil. There will thus be no great increase in production from decontrol, meaning that domestic prices will continue to rise with those of OPEC. The only effect of decontrol with the windfall profits tax will be to make consumers pay a higher price for domestic oil, with the bulk of the higher price going to the federal government as revenue from the windfall profits tax. Of the estimated $320 billion that would be collected over the next decade with the Carter tax, only 4 billion - less than one percent - is to be returned to consumers. This tax, then, is paid by the consumers and the small oil companies; Big Oil escapes ~~the~~ the windfall profits tax. ~~xxxxxxxxxxxxxxxxxxxxxx~~

~~Instead of developing the domestic oil, gas, and coal sources, the technology for which already exists, the Carter Administration~~

Most of rest of ~~The Carter Administration has chosen to use~~ the proceeds from this tax ~~on consumers~~ is to be used to fund an $88 billion dollar federal Energy Security Corporation (or ESC) to develop synthetic fuels. This, of course, is only ~~an~~ the initial cost estimate; the Rand Corporation has found that overruns of as much as 500 per cent can be expected on such new technologies particularly when under government control. ~~occur on federal contracts~~ Thus, the total cost of the synthetic fuel project could be as much as $440 billion. ~~dollars~~ and that doesn't even include the price of the fuel. Each American family would have to pay $8,000 dollars in prices just to develop the industry.

What would their investment buy? Not much. Synthetic fuels are hopelessly uneconomical now, and the picture is unlikely to change soon. Synthetic fuels will cost more than $40 a barrel, more than double the price of imported oil. That translates into more than $2 a gallon for gasoline. If inflation continues at its present rate, the cost of synthetic fuels will double by 1985. Even then, they will cost far more than imported OPEC oil, not to mention domestic oil.

Even if the ESC were able to reach its targeted amount of two million barrels of fuel a day by 1990 -- and that's unlikely -- it would amount to only one-fifth of our current imports, and only a miniscule 3 per cent of world production. That's hardly likely to have much effect on world demand, and hence world price. ~~at all~~

Even worse, the synthetic fuel, or synfuel, program, promises to wreak great environmental damage. Squeezing oil from shale or coal would draw vast quantities of water -- up to three barrels for every barrel of shale oil -- from two of the country's most parched regions -- the Colorado River Basin and the Northern Great Plains. Leachings from the toxic tailings are likely to foul any drinking water that remains.

The Energy Security Corporation also is assured of being an administrative nightmare. Former Energy Secretary James Schlesinger admitted the ESC was based on the 1930s bailout scheme, the Reconstruction Finance Corporation, or RFC. The *New York Times* evaluated the RFC, and noted that it was abolished in 1957 "after years of charges and countercharges of waste, mismanagement, and favoritism." Another *Times* story reported that the RFC was "mired in political scandal and corruption charges." That's the future legacy of the Energy Security Corporation.

Thus, the ESC is likely to soak American taxpayers for billions of dollars, for a wasteful agency to produce almost no fuel at more than double the cost of current energy, and do great environmental damage in the process. Who is going to benefit from this scheme? Certainly not the energy consumer. The small independent oil companies won't be helped either, since they will be paying the windfall profits tax to finance the ESC. No, as in the case of the other federal energy regulations, the big oil companies will benefit from the synfuel program the most.

Listen to the names of some of the companies that own the resources that would be turned into synthetic fuels: Exxon, Gulf Oil, Conoco, Occidental Petroleum, Union Oil, and Shell. Is it any wonder that the Chairman of Exxon says he is "delighted" at the government's favorable attitude toward synthetic fuels? He should be. ~~Of course.~~ The major oil companies will be more than happy to see taxpayers pay them billions of dollars for risk-free development of synthetic fuels that the big oil companies themselves do not want to risk their own money on. Remember, it is the small oil companies who, through the windfall profits tax, will be paying the big oil companies to develop synthetic fuels. Again, federal policy-makers seek to benefit Big Oil at the expense of the independents.

Another important feature in President Carter's energy

~~program~~ plan is the Energy Mobilization Board, or EMB. The EMB is charged with ramming through special energy ~~programs~~ projects -- in particular, the synthetic fuels ~~projects~~ program -- regardless of ~~xxxixxxxxxxx~~ the carefully developed environmental laws. A three-man panel will be able to overturn the work of the~~x535x~~ Congress ~~ix~~ in ~~these special~~ many cases. Thus, those ~~xxjuxxd~~ parties injured by water shortages or pollution created by synthetic fuel development will have little hope of legal redress. As Kitty Schirmer, special assistant to the President for environmental programs, observed in ~~xxxx~~ regard to the EMB, "This will simply have to be a government of men and women and not of laws."

Who wins with the ~~x~~establishment of the EMB? Those who own the resources to be turned into synthetic ~~x~~fuels -- basically, the big oil companies. Who loses? The environment, ~~fxxxx and~~ western farmers, landowners and the consumer.

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A fifth component of ~~Carter~~ the current energy policy is something I'll call Oil Barrel Diplomacy. This high-handed policy is geared mainly to~~x~~ward the Middle East~~x~~ and Mexico. For instance, some have advocated that the United States shou~~x~~ld go so far as send troops to the Middle East to prevent interrup~~x~~tions of foreign oil supplies. ~~Xxxxthatxsxxxxxxxbixxxbxxxthxxxx xxxixxxixxdxxxxixhtxfxxxixhxxxxxxxdxxxxxxxxxx~~ Defense Secretary Harold Brown has said that protecting "the oil flow from the Middle East is clearly ~~x~~ part of our vital interest" and would warrant "any action that's appropriate, including the use of force." Senator Gary Hart, a member of the Armed Services Committee, warned that "we may be forced to use military force to preserve the oil flow" if military action "is taken against one of our suppliers." Even ~~x~~ at least one Presidentia~~x~~l candidate has advocated this policy as well.

Now the idea of Oil Barrel Diplomacy may sound noble when applied to the Middle East, but the policy is downright foolish and could be very dangerous. For one thing, such a defensive action would embroil

U. S. troops in a military quagmire that would make Vietnam look like exhibition season. A quick strike would be virtually impossible. Pentagon officials admit that the logistics problems alone are nearly insurmountable. Even the attempt to send a mere squadron of F-15s to Saudi Arabia during the Yemeni "crisis" proved more than the Pentagon could handle. And a report from the Library of Congress confirms that it would take weeks for all American forces to reach their destination, leaving no chance of mounting a surprise attack.

There would be a very high likelihood of significant troop loss. Vast numbers of American soldiers would be permanently tied down to prevent sabotage along thousands of miles of oil pipelines, and would be subject to unpredictable guerilla-like terrorist attacks. U. S. oil workers would have to be drafted en masse to repair and operate equipment abandoned by native workers. And there would be no way at all to prevent enemies from mining or blocking the narrow Strait of Hormuz, through which oil tankers from the Gulf region must pass.

So, it is likely that even a military action in the Middle East would not secure the oil supply. The fruitless battle is therefore not a very enticing prospect. As Willy Brandt recently pointed out, "Anyone could see that even a conservative country like Saudi Arabia would blow up its oil fields before foreign troops could take them over."

Moreover, the idea of sending troops to secure foreign oil supplies is morally repugnant. It assumes that we have a moral right to Middle Eastern oil. We do not. In the past it has been very beneficial to both the U. S. and OPEC to engage in the oil trade, but we have no moral claim on OPEC's oil. We can only rightfully claim our own. ~~Besides, we have lost too many troops in the past trying to defend such moral~~

But a claim on OPEC oil.

~~These are the~~ kind of "moral rights" we have no business asking our young men and women to die for.

~~And~~ But even ~~xxxx~~ if such a military action were attempted, and were successful, who would it benefit? Not the small oil producers, but again, the big oil companies, whose supplies our troops would be securing.

The situation is similar with Mexico. A number of political leaders have advocated a North American Energy Common Market with Canada and Mexico. Now I'm all in favor of improved relations with our two North American neighbors, but ~~xxxxxxx~~ the Common Market idea is simply a non-starter. First of all, neither the leaders of Canada or Mexico want ~~xxx~~ a Common Market. They fear domination by both ~~the~~ U. S. companies and the U. S. government. Any attempt to establish a Common Market would find the U. S. trying to force an agreement on our two neighbors. That would do more diplomatic harm than good, and could actually reduce the amount of ~~xx~~ oil and gas our neighbors would be willing to sell us.

Of course, it is interesting to note that ~~xxx xxxxxxxxx~~ the Common Market proposals cropped up after it was announced that Mexico had reserves of oil equal to Saudi Arabia. Many of the Common Market advocates hope that Mexico will greatly boost its production and shipments of oil to the U. S. That all sounds nice, ~~x~~ and would make it awfully easy to avoid the tough energy problems at home. Unfortunately, things won't work as simply as Common Market advocates would like to believe. Canada barely has enough energy for itself, much less for export. In fact, it is a net importer of oil. While Mexico does have large reserves of oil, they are unlikely to provide a bonanza for the U. S. Even disregarding the fact that Mexico won't join a Common Market, such an arrangement ~~xx~~ will not increase Mexican oil exports to the U.S. by much.

First, all a Common Market would do is eliminate trade barriers ~~xxxxxxx~~ among the three countries. But oil from Mexico already enters

(Mexico would have no ~~additional~~ greater incentive to ~~x~~export oil to the U. S. than they do now. the U. S. duty-free. Moreover, ~~thex~~ Mexico already sells nearly ninety per cent of its oil to the United States, and has embarked on a "diversification plan" to sell the U. S. less, not more oil. Mexico refuses to increase production by much, because ~~it~~ an excessive inflow of capital ~~xxxxx~~ likely would cause a political uph~~e~~aval on the order of the Iranian crisis earlier this year. ~~In fact,~~ Mexico is even having trouble using the capital from its oil sales last year.

There are arrangements between the U. S. and Mexico we could explore which could result in greater oil exports to the U. S. But the North American Common Market idea is not one of them.

~~Xinall~~ Besides, there is one fatal flaw in both of the ~~Oil~~ Oil Barrel Diplomacy schemes. They would increase, rather than reduce, our dependence on foreign oil.

Finally, there is this idea of mandatory conservation and allocation. Basically, these schemes are just designed to "share the shortage", instead of relieving it. Already the federal government can tell oil companies how much heating oil or gasoline to produce, and where to ship it. Now President Carter has the power to invoke gasoline rationing subject to Congressional veto. I am totally opposed to ~~xxxxxxx~~ gasoline rationing except in times of war or ~~xxxxx~~ national emergency. At any other time, a rationing scheme is counterproductive. ~~The~~ Those who live in cities where there is inadequate public ~~xx~~ transportation and those who live in our rural states are the ones who are penalized. The poor, too, are penalized, because unlike the wealthy, they cannot afford to pay two and three times the normal cost of gasoline to purchase extra ration coupons on the ~~Xwhite~~ so-called "White Market."

I disagree even more vehemently with ~~xx xxx~~ the more restrictive mandatory conservation plans -- such as temperature controls in public or private buildings or requiring people to give up driving for one day a week. The government has no right to exercise such control. Besides, the controls save so little energy that the added inconvenience is to no avail.

That doesn't mean I'm against conservation. Not at all. I believe every energy consumer should use energy wisely, and should not waste it. But the individual people and businesses, and not the government, should determine how much they can afford to ~~xcut~~ cut back. Federal ~~rules~~ bureaucrats ~~promulgated~~ in ~~a white~~ Washington D. C. have no way of adapting rules to fit all the varying situations from Los Angeles to Atlanta, ~~xx~~ or from Topeka, ~~Xxxxx~~ Kansas to Augusta, Maine.

This idea that ~~Xaxbarrelxxxxxxxxxxxxxxxx~~ "the cheapest barrel of oil is the one conserved" is pure demogoguery. America did not ~~sonxserve~~ conserve its way to greatness. ~~xxx~~ And if you are the person who can't get a large enough ration to drive to work or plow your field, or ~~xxxxxxxxxxx~~ are not allowed to purchase enough ~~xx~~ fuel oil to heat your home, then you know that the barrel conserved -- and not produced -- is certainly not inexpensive.

Where can we turn, then? If price controls, windfall profits taxes, synthetic fuels, an Energy Mobilization Board, Oil Barrel Diplomaxcy, and mandatory conservation are not the answer, can there be any? There certainly can. Not only are there ~~xxx~~ far more effective answer~~xs~~s to the energy problem, but there are far~~x~~ more equitable ones as well.

Any fair and useful ~~xxx~~ national energy policy must meet three criteria. First, it must restore competition to the domestic energy industry. Competition is a necessary ingredient to any efficient industry. In particular, it lowers prices and increases supplies~~, and improves service~~.

Second, an energy policy must eliminate ~~xxxxxxxxx~~ incentives to foreign oil production. Third, it must increase domestic production.

Current energy policies fail to meet these criteria. On the whole, they subsidize the big oil companies and foreign oil imports. They discourage the small independents and domestic production.

The only answer is to adopt ~~xxxxxx~~ a Domestic Energy Production Policy, one that will foster competition, discourage foreign oil imports, and encourage domestic production. Greater energy production is necessary to keep our economy growing, to provide better goods and services, to end inflation, and to provide jobs and a better standard~~s~~ of living for all of us, in particular, for the poor and the unemployed. 1.

Though there are a wide range of actions which could be taken to fulfill the criteria of a domestic energy production policy, I will mention the six most important.

First, we must establish within the Antitrust Division of the Justice Department a special Energy Antitrust Unit. The energy industry is dominated in many ways by the large oil companies. Some of this dominance is the result of efficiency, some the result of counterproductive federal rules, and some a consequence of monopolistic practices. Unfortuantely, it is very difficult to determine ~~what~~ which practices ~~which~~ are monopolistic. The current Antitrust Division must ~~xxxx~~ investigate and prosecute monopolization cases in industries ranging from ~~xx~~ supermarkets to steel. Unfortunately, energy matters often get shoved aside. By establishing a special Energy Unit, I will charge the Justice Department with a special responsibility to investigate suspected monopoly practices. In particular, I will order an immediate survey of energy industry structure, ~~xx~~ with special attention to the possible monopolistic effects of vertical and horizontal integration, and of ~~xxxxx~~ energy companies owning more than one type of energy source.

Second, we must end all price controls and allocation formulas for energy. ~~Thexxxxxxxshouldxbexxxxxxxxxxx~~ These rules must be repealed immediately. The result will be a boost in domestic ~~xxxxxxxx~~ production, and a gradual stabilization of, and perhaps fall in, price. Of course, prices will rise slightly in the short term. ~~xxxx~~ To assist the poor and those on fixed incomes, I will support a one- to two-year adjustment assistance program in the form of tax credits or grants.

In addition to the production incentive, decontrol will help restore competition to the energy industry. It is the small independents, rather than the large oil companies, who will benefit most from decontrol. By increasing their share of the market, the small companies will be able to help stabilize prices even more quickly.

Third, we must either significantly reduce or eliminate the tax advantage enjoyed by the big oil companies in their foreign operations. With the U. S. struggling to overcome the problem of growing oil imports, it makes no sense to subsidize foreign production. By reducing or eliminating the tax advantage, the major oil companies would have a greatly increased incentive to explore for oil in the United States, rather than in the Middle East.

Fourth, we must oppose the windfall profits tax. The tax only subsidizes foreign production. In fact, it is a tax not on the big oil companies, but on the small companies and the energy consumer. Its passage would not produce any more domestic oil, but would only reduce production and increase prices.

Fifth, we must institute a vigorous leasing program, subject to reasonable environmental restraints. In actions in the past three years the Congress has locked up federal lands which could provide billions of barrels of oil or the equivalent in natural gas and coal. Offshore drilling leases have been granted then revoked, and the entire offshore ~~drilling~~ leasing program has been at a virtual standstill for a decade. It is impossible to increase domestic production unless the government allows the oil, natural gas, and coal to be produced. A vigorous leasing policy will assure that this production can take place.

Sixth, we must remove unreasonable barriers to production. Some environmental laws unduly restrict production without providing great benefit to the environment. Other rules lead to unnecessary lawsuits which delay or effectively cancel many worthwhile energy production projects. Where justified, we must modify or eliminate these unreasonable ~~barriers to~~ production barriers. ~~must be modified or eliminated.~~

This policy is obviously targeted to oil, natural gas, and coal. There is a good reason for that. These three fuels presently constitute about 90 per cent of our xenergy supply, and wil continue to play the pre-eminent role in our energy economy until well after the turn of the century. For that reason, any effective ~~prxixx~~ energy policy ~~xmstxfxxmsxxxxxthrx~~ for the next two decades must focus on these three fuels. Other energy sources ~~havex~~ should, of course, be considered in a collateral context, and I will explore those alternatives later in separate statements.

The policy I have prevented tonight, however, is one which I believe provides the best chance of meeting the energy crisis through the end of the century. This policy fulfills the three criteria. It ~~prxvidx~~ restores xcompetition to the energy industry. It discourgages forign ximports. And it stimulatexs domestic production. ~~In that~~ By doing ~~that~~ this ~~way~~, we will be able to best meet the twin goals of assuring an adequate domestic supply of energy at stable prices.

This, I believe, is the kind of energy policy Americans are looking for. One which is fair and effective. One which emphasizes supply rather than sacrifice. ~~One which emphasizes price xstability instead of price increases.~~ And one which promises hope rather than hopelessness.

This domestic energy production policy will provide our best weapon in the energy war. It is a battle we can win. Let's xx win it.

...of XXXXXX policy -- one that condemxns

Insert ①

And even if price controls actually ~~lower prices for~~ help the poor, there are far better ways to ~~help them~~ do so. According to Harvard economist Thomas C. Schelling, "holding down the price of gasoline ... is a very inefficient way to assist the poor." Among other things, gasoline price controls hold down the price of gasoline for everyone--including those who drive limousines and gas-guzzling recreational vehicles, and those who hot-rod around on Friday nights. Yet these people are not the ones who need to be helped.

Insert 2

upon

In fact, even the study which Senator Kennedy partially based his conservation-based program, which was produced by the Energy Projec of the Harvard Business School, acknowledged that: "As it is today, the system of price regulation is highly irrational: ... (it) could one of the main causes of much higher oil prices in the years ahead, ... It makes no sense ...."

Let's look first at the most prominent, and most deceptive, of the Administration's energy policies -- ~~his~~ Mr. Carter's so-called decontrol of energy prices. President Carter's announcement last April of a gradual 28-month decontrol of oil prices was not the courageous act his administration claims it to be. Most oil will remain under price controls until October of 1981. The controls are scheduled to expire then, but under current law they would have expired then even if Mr. Carter had done nothing. In fact, Mr. Carter actually is thwarting oil price decontrol by threatening to retract his limited program if the oil industry doesn't cave in to a windfall profits tax. The resulting uncertainty gives oil producers no added incentive to explore. And if Mr. Carter does secure a windfall profits tax, then he will have effectively <u>recontrolled</u> oil prices -- permanently. That's not decontrol. ~~then 1984's "Newspeak" has arrived five years early.~~

Candidate Carter campaigned on the promise of decontrolling natural gas prices, then once in office lambasted decontrol as a "ripoff." In 1978 he supposedly embraced the concept again when he signed the Natural Gas Policy Act. But before the act, two thirds of the gas produced in the United States was under federal price controls. Now, all of it is. And the controls won't be removed until 1985, if then. That's not decontrol. ~~George Orwell would have been proud.~~

Finally, Congress voted to maintain federal price controls on gasoline, and President Carter has been unwilling to pressure Congress to lift them. That's certainly not decontrol either.

You see, it is <u>extension</u> of federal price controls, not decontrol, which has been the hallmark of this administration. Despite virtually all expert opinion to the contrary, the White House and Congressional leadership continue proclaiming federal price controls as a solution to the energy crisis. They are no solution. They are the primary cause

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SAMBO'S RESTAURANTS, INC.

LOSS ANALYSIS for PERIOD Jan 01, 1979 to Jan 01, 1980 EVALUATION as of Aug 01, 1979

11814 LUSHER RD, ST LOUIS MO

GENERAL LIABILITY ACCOUNT

CLAIMANT AND ACCIDENT DESCRIPTION	FILE NUMBER STATE COV. RES DATE OF LOSS	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES	STATUS
JOHNSON,Denise CHIPPED TOOTH ON HAMBURGER	044 305607A Mo BI R/S May 07, 79			200.00	200.00	CNP 8/6

SUMMARY

LINE OF BUSINESS	CLAIM COUNT	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES
General Liability Claims	1			200.00	200.00
TOTAL	1			200.00	200.00

of the crixsis. Even the Harvard Energy Project, whose repo t Sen. Edward Kennedy -- and ardent supporter of price controls -- ~~fxxxxx~~ used as a baxsis for much of his own energy plan -- concluded that "...the system of price regulation is highly irrational. ...(A)n irrational American pricing system could be one of the main causes of much higher oil prices in the years ahead....It makes no sense for the United States to be as integrated as it is into the world oil market...and yet have a pricing system that is partly insulated from ~~xxkx~~ the market." An MIT study, for instance, found that price controls caused U. S. energy consumption to be 8% higher, and supply 6% lower, than they would be without controls.

Despite this evidence, however, many ~~xx~~ of those in power favor price controls because they believe that without them, the poor and elderly would face much higher energy prices. Now there is serious doubt whether price controls actually hold down prices. In fact, by reducing ~~xxxdxx~~ domestic production, they may actually lead to ~~hxixxx~~ higher prices, as the Harvard Energy Project points out. But even if controls did keep prices low, "holding down the price of gasoline ... is a very inefficient way to assist the poor," according to Harvard economist Thomas Schelling. ~~Axxxgxxthexxthixxsx~~ If price controls did in fact hold down prices, they would do so for everybody -- including those who drive limousines and those who hot-rod around on Friday nights. These people certainly are not the ones who need to be helped. If the poor truly cannot meet the costs of energy, then let us assist them through direct income supplements, rather thaxn through a patchwork system of price controls which discourages ~~xx~~ domestic production.

An even more insidious effect of price controls is that they eliminate competition in the energy market by crippling the small independents. The oil and natural gas price controls on the wellhead apply only to those companies which drill for oil and gas. But anyone who thinks this circumscribes Big Oil is badly mistaken. The major oil companies'

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LOSS ANALYSIS for PERIOD Jan 01, 1979 to Jan 01, 1980 EVALUATION as of Aug 01, 1979

7201 W 25TH ST, NORTH RIVERSIDE IL

WORKERS' COMPENSATION ACCOUNT

CLAIMANT AND ACCIDENT DESCRIPTION	FILE NUMBER STATE COV. RES DATE OF LOSS	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES	STATUS
CENTERS, Timothy OPENING CAN CUT FINGER	083 890712B Il MED. N/R May 25, 79	51.10			51.10	
THILL, Clara CLMT SLIPPED AND FELL ON WET FLOOR CLMT BRUISED LEFT HIP AND RIGHT ELBOW	083 890941B Il MED. N/R Jun 14, 79	108.00			108.00	

domestic operations are mainly refining and marketing -- nearly 60 percent of U. S. oil refinery runs are controlled by the eight largest oil companies. But ninety percent of all new exploratory wells are drilled by the 10,000 independent producers. How have these controls ~~xx~~ hurt the independents? Well, in California, about one third of all oil wells -- belonging mostly to the independents -- are closed because of price controls. And a 1977 Rand Corporation study found that the price controls transferred in one year as much as [illegible] billion from crude oil producers, which includes the independents, to nonaffiliated refiners, who are principally the Big Oil Companies. Price controls are thus a subsidy to Big Oil. As the Ford Foundation Energy ~~xx~~ Project concluded, "government decision-makers ~~xxxxxxx~~ have historically exercised monopoly power for the (oil) industry over domestic output levels."

Moreover, price controls actually subsidize foreign oil imports. Economist Arnold Safer noted that "the entitlements program, in effect, gives any company that imports OPEC oil $2.50 (a barrel) for absolutely nothing." ~~xxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxx~~ And keep in mind that it is the ~~x~~ big oil companies which do most of the overseas exploration for oil. Is it any wonder that U. S. oil imports keep increasing?

A second area where U. S. energy policy is badly misdirected is tax treatment. Currently U. S. companies doing business abroad -- in energy, that's mainly the big oil companies-- can deduct foreign taxes ~~-- which are actually royalties --~~ from their U. S. income taxes. But so-called foreign taxes on oil are actually royalties, and should be deducted from income like any other business expenses. The result of this tax anomaly is a ~~This amounts to a~~ subsidy ~~for~~ to Big Oil ~~of~~ amounting to $1.2 billion a year. One consortium of Big Oil companies -- Aramco -- has paid no U. S. income taxes at all on its foreign earnings since 1950. ~~xxxxxxxxxx xxxxxxx~~ What's worse, as Jack Blum, who for eleven years was a staff member of the Senate Antitrust and Monopoly Subcommittee, explains, the whole tax credit "scheme is now simply subsidizing foreign imports."

SAMBO'S RESTAURANTS, INC.

LOSS ANALYSIS for PERIOD Jan 01, 1979 to Jan 01, 1980 EVALUATION as of Aug 01, 1979

5000 WEST 211TH ST, MATTESON IL

GENERAL LIABILITY ACCOUNT

CLAIMANT AND ACCIDENT DESCRIPTION	FILE NUMBER STATE COV. RES DATE OF LOSS	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES	STATUS
HODGES,Ray FOOD PIOS	083 891400A Il BI R/S Jul 09, 79			1,099.00	1,099.00	

SUMMARY

LINE OF BUSINESS	CLAIM COUNT	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES
General Liability Claims	1			1,099.00	1,099.00
TOTAL	1			1,099.00	1,099.00

Any tax policy which subsidizes Big Oil and foreign imports to the tune of $1.2 billion dollars a year must be eliminated.

Yet the administration is pinning its hopes on a tax policy which will have an even more devastating effect on U. S. energy production and the independents. It's called a windfall profits tax. And if you think the ~~windfall~~ tax proposal has got Big Oil running scared, you'd better look again. The only passionate opposition to the tax is coming from the independents. The Chairman of ARCO even endorsed the tax.

In fact, the folly of the windfall profits tax scheme is so great that it would take an entire speech just to catalog its harmful effects. But let me mention just a few.

First, the tax will discourage domestic production. Oil companies today plow back 93 per cent of their profits into petroleum-related areas. The windfall profits tax is thus a direct tax on petroleum production. And the tax will fall most heavily on oil that has not yet been discovered, because the tax rate increases as the world price goes up. ~~The tax~~ Decontrol without the tax could lead to an additonal 2 million barrels of oil a day by 1985; with the tax as passed by the House, production will increase by only 400,000 barrels a day. The windfall ~~profits~~ tax thus deprives the U. S. of production of as much as one and a half million barrels of oil a day, or one-sixth of ~~its~~ our imports.

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Second, the windfall profits tax is a tax mainly on the independents. The tax is imposed at the wellhead, but independent producers have only one primary source of income -- the wellhead sale of domestic ~~production~~ oil and gas. The windfall profits tax takes more than half of this income away, and dramatically reduces theprofitability of the small companies. Since the independents have to persuade individual investors to finance their wildcat wells, the tax will make life for the small companies a lot more difficult. Moreover, since the majority of independents operate and are taxed as individuals, not as corporations like the big oil companies are, they are in a higher marginal tax bracket

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SAMBO'S RESTAURANTS, INC.

LOSS ANALYSIS for PERIOD Jan 01, 1979 to Jan 01, 1980 EVALUATION as of Aug 01, 1979

NAME NOT ON FILE

WORKERS' COMPENSATION ACCOUNT

CLAIMANT AND ACCIDENT DESCRIPTION	FILE NUMBER STATE COV. RES DATE OF LOSS	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES	STATUS
CRADER,Ratricia CLEANING SLICER CUT-RT 3RD & 4TH KNUCKLES	085 349347B Wi MED. N/R Apr 05, 79	93.65			93.65	

SUMMARY

LINE OF BUSINESS	CLAIM COUNT	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES
Workers Compensation Medical Only	1	93.65			93.65
TOTAL	1	93.65			93.65

What is most disconcerting is that inhibiting production may be the real reason whxv President Carter supports the windfall profits tax. In respoxnse to a question last July, Mr. Carter said: "If these exemptions are made, it will be a grant of $54 billion to the oil companies by phased decontrol. And they will be able to spend these new revenues ,xxxixxxxdx which they have not earned, in order to increase production of oil and gas in our own country. So what you are describing is a great threat to the very program that is so very important to me and to the country."

SAMBO'S RESTAURANTS, INC.

LOSS ANALYSIS for PERIOD Jan 01, 1979 to Jan 01, 1980 EVALUATION as of Aug 01, 1979

NAME NOT ON FILE

WORKERS' COMPENSATION ACCOUNT

CLAIMANT AND ACCIDENT DESCRIPTION	FILE NUMBER STATE COV. RES DATE OF LOSS	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES	STATUS
GRAVES,Errol L TRYED TO PICK UP FULL ICE BUCKET BACK PAIN	025 328356B Wi MED. R/S Jan 21, 79	185.50		514.50	700.00	

SUMMARY

LINE OF BUSINESS	CLAIM COUNT	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES
Workers Compensation Reserve Claims	1	185.50		514.50	700.00
TOTAL	1	185.50		514.50	700.00

The tax will leave independents with only 11 cents of each dollar of profit, while Big Oil will be left with twice as much. As economist Michael Evans noted, the House-passed version of the tax "would be a disaster for at least the independent sector of the energy industry."

Exemptions to the tax are of little solace to the independent. The exemption of the first 1,000 barrels of oil per day from stripper wells will encourage all oil firms to limit production to qualify for the exemption. That certainly isn't going to help end the energy crisis. And even exempting all independent production would not be of much benefit. Once a profits tax of any kind is in place, it will be easy for Congress to end exemptions when the government wants to boost revenue without creating another tax. Investors will have little incentive to finance oil and gas exploration by the independents, since their profitability easily could be destroyed.

Third, the windfall profits tax is a tax on consumers. Because the tax captures almost all the additional profit from higher oil prices, there is almost no incentive or capacity provided by decontrol to increase oil production. The only thing the tax does is raise the price of oil products to the consumer, and then keep the price going up. In fact, over a 10-year period, decontrol will provide the federal government with as much as $173 billion from the regular corporate income tax, plus an additional $146 billion or more from Carter's windfall profits tax. Consumers will be taxed nearly $32 billion more each year than they are now, and the ~~federal~~ Carter Administration offers only a couple of billion dollars in rebates. It is at best hypocritical, and at worst downright disingenuous, for an administration that bleats so piously about the alleged windfalls of the oil companies, to keep more than 90 per cent of that windfall for its own use.

Fourth, the big oil companies can escape the windfall profits

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NAME NOT ON FILE

WORKERS' COMPENSATION ACCOUNT

CLAIMANT AND ACCIDENT DESCRIPTION	FILE NUMBER STATE COV. RES DATE OF LOSS	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES	STATUS
MEUMAN, Daniel CLEANING MEAT SLICER CUT LFT. HAND	085 346285B Wi MED. N/R Jan 07, 79	16.00			16.00	CWP

SUMMARY

LINE OF BUSINESS	CLAIM COUNT	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES
Workers Compensation Medical Only	1	16.00			16.00
TOTAL	1	16.00			16.00

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tax. The fact is, most Big Oil profits come from overseas operations, which will not be touched by the tax. Of Mobil's third quarter profits for 1979, 85 percent came from foreign energy operations. While Exxon's third quarter earnings abroad soared 310 per cent this year, their domestic profits have been up less than three percent the entire year. Moreover, since the big oil firms are fully integrated, they may be able to credit profits to their overseas operations or to their domestic refining and marketing, which are not subject to the tax, and thereby escape almost all of ~~the tax.~~ it. The windfall profits tax will not hurt Big Oil.

Finally, the tax will subsidize foreign production. If the Big Oil companies decide they do not want to pay the tax, they will simply invest more overseas and less in the United States. As a result, according to a House Interior Committee Minority Report, the "windfall profits tax...will divert about $35 billion dollars in investments to foreign countries," and will "cost the consumers $1.75 billion more for imported oil." Like price controls, the windfall profits tax discourages domestic production and the independents; it subsidizes Big Oil and foreign imports.

What will the government do with its windfall from this tax on independents and consumers. In addition to providing piddling rebates, the Carter Administration plans to embark on a massive synthetic fuels program that promises to be one of the biggest federal boondoggles in history. Mr. Carter pegs the cost of development at $20 billion dollars, scaled down from a program more than four times that size, but a recent Rand Corporation study warned of painful cost overruns in the building of synfuel plants. Even by the President's own optimistic figures, it would take an investment of about 35,000 dollars in synthetic processes to produce one barrel of oil a day, more than two thousand times the cost of imported oil. If that isn't a boondoggle, I don't know what is.

But the effect of the program would be even more

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LOSS ANALYSIS for PERIOD Jan 01, 1979 to Jan 01, 1980 EVALUATION as of Aug 01, 1979

1940 E COURT ST, KANKAKEE IL

WORKERS' COMPENSATION ACCOUNT

CLAIMANT AND ACCIDENT DESCRIPTION	FILE NUMBER STATE COV. RES DATE OF LOSS	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES	STATUS
CHARLIER,Velma DROPPED TONGS INTO FRYER & HOT GREASE SPLASHED 1ST & 2ND DEGREE BURNS ON LEFT ARM	017 217930B Il MED. N/R Jun 12, 79	17.05			17.05	

SUMMARY

LINE OF BUSINESS	CLAIM COUNT	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES
Workers Compensation Medical Only	1	17.05			17.05
TOTAL	1	17.05			17.05

devastating. Morris Adelman of MIT points out that throwing such large amounts of money at an unproved industry will drive up the prices of materials and machinery throughout the economy. These higher input prices will reduce domestic production of oil and gas even ~~higher~~ more, and may prevent the independents from securing much-needed financing. The result, according to a Presidential task force in 1975, would be to reduce overall U. S. gross national product by as much as $11 billion by 1985. That means the loss of thousands of potential jobs. Is it any surprise that the task force concluded that "the expected costs exceeded expected benefits at every level of synthetic-fuel production"? Or that Mel Horwitch of the Harvard Energy Project contended the all-out ~~scheme~~ push would ~~result in~~ burden the country with a "massive number of white elephants"?

Even if we could bear the cost of developing these fuels, they would be no bargain once produced. Most experts say synthetic fuels would cost at least 40 dollars per barrel -- more than twice the cost of imported oil -- and that price would increase with inflation. In fact, economist Jude Wanniski has argued that "synthetic fuels will be uneconomical well into the next century."

But you can throw all your cost estimates out the window if you can't even develop the synthetic fuels. The fact is, no synthetic fuel process in the United States has yet progressed beyond the pilot stage. The President is asking us to stake our entire energy future on a fuel technology that has not even been shown to be commercially viable. In fact, the government's first attempt to build a coal liquefaction plant was stopped precisely because more pilot-plant work was needed.

The President's goal of 2 million barrels per day of synfuels by 1985 thus may be no more than mere fantasy -- and, you will note, no more than would be provided with decontrol and no windfall profits tax. To achieve Mr. Carter's goal, coal production would have to go up 23 per cent a year, which so far has proven an impossible task. Oil from shale provides no greater hope. Robert Stobaugh of the

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LOSS ANALYSIS for PERIOD Jan 01, 1979 to Jan 01, 1980 EVALUATION as of Aug 01, 1979

1500 BUTTERFIELD RD, DOWNERS GROVE IL

AUTOMOBILE ACCOUNT

CLAIMANT AND ACCIDENT DESCRIPTION	FILE NUMBER STATE COV. RES DATE OF LOSS	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES	STATUS
BODEN,Ken INSD R/E CLMT	011 321984A 01 Il PD N/R Mar 23, 79	191.42			191.42	

SUMMARY

LINE OF BUSINESS	CLAIM COUNT	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES
Automobile Claims	1	191.42			191.42
TOTAL	1	191.42			191.42

Harvard Energy Project concludes that "shale oil still is unlikely to make any contribution to the national energy budget by the late 1980's and very little by the year 2000."

What is worse, however, is that an all-out push for synfuels could destroy the environment in the West. Synfuel production from coal and shale would require immense amounts of water -- 2 to 3 barrels for every barrel of oil from shale -- from two of the nation's most water-starved regions, the Colorado River Basin and the Northern Great Plains. This is equivalent to nearly 10 per cent of the water from the Colorado River currently consumed in the West, where federal authorities have already promised present and future users more water than is legally available. The spent shale will also occupy a volume up to 50 per cent greater than before the shale is extracted, which will despoil the Western landscape.

Even using synthetic fuels may not be safe. Coal liquids, for example, are thought to contain cancer-causing agents, while shale processing would create toxic fumes. The President's Council on Environmental Quality said just this year that synthetic fuels generate up to twice as much carbon dioxide as conventional fossil fuels for the same amount of heat. David Tundermann, an Environmental Protection Agency official, worries that regulators just aren't equipped to monitor a major synthetics effort. "A crash program would just outpace us, and we'd end up playing catch up," he warns. So, if we say hello to synfuels too soon, as the President would have us do, we may be saying good-bye to much of the environment.

Thus, the synfuels program is bound to soak American taxpayers for billions of dollars for an unproven technology to produce almost no fuel at more than double the cost of current energy, and do great environmental damage in the process. Who is going to benefit from this scheme? Certainly not the energy consumer. The small independent oil producers won't be helped either, since they will

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1450 S ELMHURST RD, MOUNT PROSPECT IL

WORKERS' COMPENSATION ACCOUNT

CLAIMANT AND ACCIDENT DESCRIPTION	FILE NUMBER STATE COV. RES DATE OF LOSS	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES	STATUS
PIETRANGELO, Dominic UNKNOWN CUT HAND	026 161877B Il MED. N/R Apr 16, 79	95.50			95.50	
BOYL, Patrick PICK UP DISK CUT FINGER	026 163597B Il MED. N/R Apr 01, 79	35.00			35.00	

SUMMARY

LINE OF BUSINESS	CLAIM COUNT	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES
Workers Compensation Medical Only	2	130.50			130.50
TOTAL	2	130.50			130.50

be paying the windfall profits tax to finance the synfuels program. No, as in the case of the other federal energy regulations, it is the big oil companies who will benefit from the synfuel program the most.

The independents will get none of the contracts to build the billion-dollar plants. The energy bankers, Big Oil, will get the contracts to synthesize coal, and sell the coal they now possess to each other's plants. Listen to the names of some of the companies that own the resources that would be turned into synthetic fuels: Exxon, Gulf Oil, Union Oil, Conoco, Mobil, Shell, and Texaco. Is it any wonder that the Chairman of Exxon says he is "delighted" at the government's favorable attitude toward synthetic fuels? He should be. The big oil companies will be more than happy to see taxpayers and the independents pay them billions of dollars for risk-free development of synthetic fuels on which Big Oil doesn't want to risk that much of its own money. Rep. Toby Moffett, a Connecticut Democrat, says that the synthetic program will only subsidize the rich. And he's right. Remember, it is the small independents who, through the windfall profits tax, will be subsidizing development of synfuels by the big oil companies. Again, federal policy-makers seek to benefit Big Oil at the expense of the independents and the energy consumers.

Another goal of the Carter energy plan is to create a special agency -- the Energy Mobilization Board, or EMB -- to cut through the red tape created by all the other federal agencies. But in this case, it just won't work. As John Quarles, former deputy administrator of the Environmental Protection Agency pointed out, the EMB "will not solve the problems (of project delays). (Carter's) proposal is a short-term expedient, likely to do little good even in the limited number of cases where it is designed to apply. It leaves the serious and fundamental problems untouched."

In particular, the EMB leaves unresolved this dilemma: If some projects are pushed to the head of the line, other, perhaps more important

INA CORPORATION

INSURANCE COMPANY OF NORTH AMERICA
LIFE INSURANCE COMPANY OF NORTH AMERICA
PACIFIC EMPLOYERS GROUP

SAMBO'S RESTAURANTS, INC.

LOSS ANALYSIS for PERIOD Jan 01, 1979 to Jan 01, 1980 EVALUATION as of Aug 01, 1979

NAME NOT ON FILE

SUMMARY

LINE OF BUSINESS	CLAIM COUNT	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES
Workers Compensation Reserve Claims	2	198.05		300.00	498.05
Workers Compensation Medical Only	1	284.65			284.65
TOTAL	3	482.70		300.00	782.70

17851

further

projects, will ~~not~~ be even ~~more~~ delayed. All the EMB does is rearrange bureaucratic incompetence.

~~When the EM~~ In those rare instances when the EMB is successful, it will only be ramming through special energy projects -- in particular, synfuels schemes -- at the expense of the environment, regardless of necessary environmental protections. If there are environmental laws which impede production without protecting the environment, then those laws should be repealed. If there are environmental matters better handled on the state level, then the federal government should relinquish its authority in those areas. If there are laws which are absolutely essential to protect the environment and health of our people, then those laws should remain inviolate, regardless of the importance of an energy project. But the Energy Mobilization Board is the worst of all worlds. It considers environmental and energy matters on an ad-hoc, and probably arbitrary, basis, and will satisfy or help no one -- except for the Big Oil companies, whose fuel resources will be called into use, with federal subsidies, at the expense of the environment.

proposal

Another ~~id~~ poisonous ~~idea~~ floating around in Washington is that the U. S. should station troops in the Mideast to protect the flow of oil to the West. Defense Secretary Harold Brown has said that "we'll take any action that's appropriate, including the use of military force." Now there may be some conceivable justifications for deployment of U. S. troops, but sending in the Marines just to demonstrate the national macho certainly is not one of them.

Finally, there is the idea of mandatory conservation and allocation. All of Mr. Carter's moralizing on the issue, his constant assertions that Americans are extravagant and wasteful of energy, only obscure the fact that these impotent rationing schemes are designed only to "share the shortage," rather than relieving it.

accounts for

True the U. S. ~~consumes~~ about one-third of the world's energy

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LOSS ANALYSIS for PERIOD Jan 01, 1979 to Jan 01, 1980 EVALUATION as of Aug 01, 1979

NAME NOT ON FILE

WORKERS' COMPENSATION ACCOUNT

CLAIMANT AND ACCIDENT DESCRIPTION	FILE NUMBER STATE COV. RES DATE OF LOSS	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES	STATUS
KOPPLIN, Steven H DIPPED HAND IN HOT GREASE BURN RT HAND	085 343576A Wi COMP R/S Mar 10, 79	9.97			9.97	CWP
KOPPLIN, Steven H DIPPED HAND IN HOT GREASE BURN RT HAND	085 343576B Wi MED. R/S Mar 10, 79	48.95			48.95	CWP
TOTAL FOR CLAIM	085 343576 Wi R/S Mar 10, 79	58.92			58.92	
ZYDUCK, Thomas OPENING TIN CAN CUT LEFT INDEX FINGER	085 345606B Wi MED. N/R Feb 01, 79	284.65			284.65	CWP
ZYDUCK, Thomas OPENING CAN OF HAM LACERATION TO PALM ON RT HAND	085 348133A Wi COMP R/S Mar 05, 79	139.13			139.13	CWP
ZYDUCK, Thomas OPENING CAN OF HAM LACERATION TO PALM ON RT HAND	085 348133B Wi MED. R/S Mar 05, 79			300.00	300.00	
TOTAL FOR CLAIM	085 348133 Wi R/S Mar 05, 79	139.13		300.00	439.13	

use, but it also accounts for a third of the world's production. America is not the energy profligate Mr. Carter would have us believe. Yet his ~~pxxixx~~ policies reflect just such an attitude. The Department of Energy ~~xx~~ already can tell oil companies how much heating oil or gasoline to produce, and where to ship it. Now President Carter has the power to invoke gasoline rationing subject to Congressional approval. I am totally opposed to gasoline rationing except in times of war or national emergency. At any other time, a rationing scheme is a cruel hoax. Those who live in cities where there is inadequate public transportation and those who live in our rural states are penalized. The wealthy who can afford to collect cars as a hobby, and receive extra rationing coupons, are subsidized. The poor are devastated. Unlike the rich, they cannot afford to pay two or three times the normal cost of gasoline to purchase additional ration coupons on the so-called "white market." These arguments apply just as forcefully to the ridiculous scheme of imposing an additional federal tax of 50 cents or a dollar on each gallon of gasoline just to ~~fxxx~~ force conservation.

I disagree even more emphatically with the more restrictive mandatory conservation plans -- such as temperature controls in public or private buildings or requiring people to give up driving one day a week. The reported assertion by Agriculture Secretary Bob Bergland that farm families should stop their "frivolous" trips to town is a travesty. The government has no moral right to exercise such arbitrary controls over its people.

That doesn't mean I'm against conservation. Not at all. I believe every energy consumer should use energy wisely, and that no one should waste it. ~~xxxxxyx~~ In this sense, the institution of conservation tax credits was truly one of the most encouraging innovations by the Carter Administration. But the decision ~~XXXXXXXXxxxxxxxxxxxxxxxx~~ as to how to conserve must be left with the individual -- only he knows ~~xx~~

SAMBO'S RESTAURANTS, INC.

LOSS ANALYSIS for PERIOD Jan 01, 1979 to Jan 01, 1980 EVALUATION as of Aug 01, 1979

NAME NOT ON FILE

GENERAL LIABILITY ACCOUNT

CLAIMANT AND ACCIDENT DESCRIPTION	FILE NUMBER STATE COV. RES DATE OF LOSS	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES	STATUS
Helen Dille CLMT INJURED IN FALL ON PREMISES	085 348959A Wi BI R/S Apr 17, 79			300.00	300.00	

SUMMARY

LINE OF BUSINESS	CLAIM COUNT	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES
Workers Compensation Medical Only	2	105.00			105.00
General Liability Claims	1			300.00	300.00
TOTAL	3	105.00		300.00	405.00

It was this ~~[illegible]~~ dilemma that President Carter attacked most vigorously in his first year in office. Unfortunately, his administration badly misanalyzed the problem, and brought forth proposals that would do more harm than good. Even ~~his~~ Mr. Carters "victories" have given Americans little cause for hope:

In 1977, ~~Mr.~~ President Carter created the ~~$xxx billion~~ 20,000-employee Department of Energy —DOE— out of a string of other federal agencies which had failed to end the energy crisis, on ~~Thus, America was~~ ~~[illegible]~~ previous ~~[illegible]~~ failures the faulty premise that these earlier ~~previous~~ efforts had suffered from too little federal ~~direction~~ authority. ~~The establishment of DOE proved that the federal government could create a massive energy bureaucracy from next to nothing in less than four years, without ever addressing the real causes of the crisis.~~ The Department's price tag of $11 billion, by the way, amounts to about 10 cents for every gallon of gasoline ~~you or I buy~~ we put into our cars.

"In 1978, ~~he~~ Mr. Carter signed the natural gas "deregulation" bill, which created 23 different categories of natural gas, and actually extended price controls, for the first time, to gas produced and sold within the same state.

"In 1979, he started the process of oil price decontrol, but ~~although~~ has threatened "punitive measures" (including, possibly, reimposition of controls) ~~on the oil industry~~ if Congress does not approve a windfall profits tax. Thus, Mr. Carter retains for at least another two years as many as seventeen different categories of oil, ~~which, as Harvard energy economist Robert Stobaugh concluded in Energy Future, "has fostered a chaotic, confusing, and expensive bureaucratic monster."~~

"Mr. Carter has retained the system of gasoline allocation, and has even secured authority to institute a gasoline rationing plan.

Have these ~~[illegible]~~ new programs ~~controls~~ solved America's energy crisis?

SAMBO'S RESTAURANTS, INC.

LOSS ANALYSIS for PERIOD Jan 01, 1979 to Jan 01, 1980 EVALUATION as of Aug 01, 1979

1511 W. 23RD ST, LAWRENCE KS

WORKERS' COMPENSATION ACCOUNT

CLAIMANT AND ACCIDENT DESCRIPTION	FILE NUMBER STATE COV. RES DATE OF LOSS	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES	STATUS
PETTIT, Carol PALLET FELL ON CLMTS. FOOT LACERATIONS AND BRUISES TO LEFT GREAT TOE.	019 306741B Ks MED. N/R Apr 18, 79	37.90			37.90	
PETTIT, Carol TRYING TO MOVE PALLET SEVERELY BRUISED GREAT LEFT TOE.	019 306995B Ks MED. N/R Apr 18, 79	7.50			7.50	
ZOKAE, Seid STRAINING GREASE HAND SLIPPED BURNS TO WRIST.	019 307226B Ks MED. N/R May 08, 79	58.90			58.90	

SUMMARY

LINE OF BUSINESS	CLAIM COUNT	PAID LOSSES	PAID ALLOCATED LOSS EXPENSE	NET OUTSTANDING LOSS RESERVE	INCURRED LOSSES
Workers Compensation Medical Only	3	104.30			104.30
TOTAL	3	104.30			104.30

Briefing Outline
DOMESTIC ISSUES
Prepared by: Kevin Hopkins and Doug Bandow
Policy Development - National Headquarters
January 2, 1980

1. <u>Health Care</u>

   1.1 Current Health Coverage and Costs
   1.2 Carter NHI Plan
   1.3 Kennedy NHI Plan
   1.4 Effects of NHI/Experience in Other Countries
   1.5 Cost Containment Legislation and Effects
   1.6 Alternative Health Care Plans (including Catastrophic)

2. <u>Education</u>

   2.1 Current Educational Spending/Attainment
   2.2 Department of Education
   2.3 Busing
   2.4 Other Federal Intervention
   2.5 Possibility for Transfer to the States
   2.6 Tuition Tax Credits

3. <u>Welfare</u>

   3.1 Status of Poverty/Aid to the Poor
   3.2 Carter Welfare Reform
   3.3 Alternative of Transfer to the States

4. <u>Social Security</u>

   4.1 Status
   4.2 Commission Recommendations

5. <u>Crime and Law Enforcement</u>

   5.1 Extent of Crime
   5.2 Criminal Code Revision
   5.3 Federal Gun Control Efforts
   5.4 LEAA and Other Federal Programs

6. <u>Business Issues</u>

   6.1 Anti-Merger Legislation
   6.2 Advertising Regulation
   6.3 Automobile Passive Restraints
   6.4 Chrysler Bailout
   6.5 Deregulation of Transportation
   6.6 Federal Regulation - General
   6.7 Federal Trade Commission and Congressional Control
   6.8 Steel Industry

7. <u>Miscellaneous Social Issues</u>

   7.1 Abortion
   7.2 Affirmative Action
   7.3 Gay Rights
   7.4 Urban Policy - General
   7.5 Women's Rights

LNG:

What I have to say today ~~will take slightly longer than a typical~~ involves a subject ~~speech, because the subject matter~~ is somewhat complicated. But the problem of energy affects all of us, and if we are to provide genuine answers, we must search ~~except~~ beyond simplistic generalities and emotional moralisms.

In his State of the Union message last month, Jimmy Carter outlined the two major facts ~~points~~ of ~~steps~~ ~~in~~ his national energy policy ~~for the 1980s~~.

First, he told Americans that "an attempt by any outside force to gain control of the Persian Gulf region," ~~that~~ upon which the United States, Western Europe and Japan depend for most of their imported oil, "will be repelled by use of any means necessary, including military force."

Second, he told us that "the American people are making progress in energy conservation.... Now we must do more.... We must sacrifice" in "our comfort and our ease."

In short, Jimmy Carter's energy policy is one of ~~making~~ threatening ~~to~~ war in the Middle East, and ~~making~~ threatening war on the American people. But his so-called moral equivalent of war is, in reality, no more than the moral equivalent of surrender.

For instance, just three years ago, the need for the U.S. to send its young men and women into war to protect ~~in~~ the Middle East oil lanes was a remote possibility -- an option to be found only in military planners' esoteric war games. Today, it has become America's number one policy refuge -- virtually our last line of defense. And the mere threat that we will "do something" if the Soviets take control of the oil flow is supposed to hold the Russians at bay. But President Carter took great pains ~~&~~ in the following days, to tell the world that we don't really have the capability to defend the Persian Gulf region after all.

His whimsical ~~warmongering~~ war talk is counterbalanced on the other hand by a very serious threat to Americans' personal freedom to travel, their right of privacy, and their ability to work and earn a living. Mr. Carter has long favored gasoline rationing and temperature controls in ~~private~~ public buildings. But last week, his Energy Department announced a new set of proposals more suited to the Soviet Union than the United States. Among other things, the President wants to totally ban driving by each family on one to three days per week, to prevent persons from working more than four days per week, and possibly to reduce the national speed limit still further. The Energy Department is now considering additional plans to cut back the school week by one-fifth, and to ~~set~~ ~~require~~ impose mandatory temperature settings in individuals private homes.

Now let no one mistake our resolve to ~~defen~~ strengthen our capability to defend our vital interests abroad. But when a President's policies bring us to the point where fighting for our oil is our <u>only</u> choice, that my friends is a sign of national weakness, not of national strength.

And ~~s~~ let no one think that Americans condone energy waste. More so than any other industrialized ~~people~~ country in the world, the U.S. has conserved its energy in these past few years.

But Mr. Carter's energy policies are based on the mistaken notion that America is an energy-poor nation. We are not. We are an energy <u>rich</u> nation. The ~~U.S.~~ U.S. Geological Survey ~~is~~ -- an agency of the ~~our own~~ federal government -- ~~has repo~~ says that the oil reserve in Alaska alone is ~~g~~ larger than that of Saudi

Arabia, and that there is more oil waiting to be drilled ~~just~~ on our Outer Continental Shelf, than has been produced, on land in our nation's <u>entire</u> history. Another government report says that ~~we~~ ~~have~~ as much as 1,000 years of natural gas ~~are~~ is recoverable within our boundaries. ~~Finally,~~ And we possess more than one-quarter of the world's coal reserves.

Yet if ~~we~~ there is so much energy out there, why is it that since Jimmy Carter became President, fuel prices have almost tripled, oil imports have increased, and domestic energy production has fallen?

Draft #4
DRAFT NATIONAL ENERGY POLICY SPEECH
Prepared by: Kevin Hopkins and Doug Bandow
This Draft Prepared by: Kevin Hopkins
Policy Development - National Headquarters
January 7, 1980

Ladies and gentlemen.

As we opened the 1970s, few Americans had ever heard of Iran and Afghanistan. As we begin the 1980s, these two countries command our attention in an unprecedented way.

As Americans, we stand united in wanting our people returned unharmed. For the future, we seek ways to prevent the recurrence of such traumatic events. To me, these are today our most important concerns.

There is, however, another concern -- not so obvious, but just as frightening. The instability of many oil country governments, and the aggressive advance of the Soviet military, seriously endanger our Middle Eastern oil supplies. Today, we import nearly half of our oil from foreign countries. We import almost twice as much oil now as we did right before the 1973 embargo. What will happen to those supplies this year or the next cannot be predicted. But at the very least, we begin the 1980s with a new and unpleasant reality: our access to foreign oil depends on developments which we may be unable to control.

A weak and indecisive foreign policy, the product of three years of mismanagement by the Carter administration, has severely limited the actions we can safely take to keep the oil flowing. We must, of course, maintain and expand a constructive influence in the Middle East, but we must realize that the oil flow is not the sure thing it was even a couple of years ago.

Thus, we can no longer afford the luxury of a supposed

Pr

national energy policy that is no more than the moral equivalent of defeat. Since the Carter administration declared its so-called "war" on energy, fuel prices have more than doubled, oil imports have increased, and domestic energy production has fallen. If this is an energy war, my friends, we are losing.

~~We are losing because~~ The answer is that our national energy policies ~~are~~ have been sadly misdirected. The issue in the energy crisis is not how to best punish people who use energy; it is not who profits most from the energy crisis; and it is not which exotic fuel source can provide the most energy in a decade or two. The issue in the energy crisis is how to most rapidly, most effectively, and most safely increase our domestic energy supplies now.

Yes, we must be fair. And yes, we must work to develop new fuel sources to eventually ween us from oil. But above all, our energy policy must be judged by one principal criterion: does it increase the U. S. supply of energy.

President Carter evidently does not agree with this goal. In July of last year, he said he opposed exemptions to his oil company tax. But listen carefully to his reason. "The oil companies," he admitted, "will be able to spend these new revenues ... in order to increase the production of oil and gas in our own country." But because the government would receive less in taxes, he labeled the exemptions "a great threat" to his energy program. To Mr. Carter, higher taxes evidently are more important than higher energy production.

And ~~T~~this is ~~the fundamental difference in energy policy~~ where Jimmy Carter and Ronald Reagan differ. The Carter administration does not seriously believe in increased domestic energy production. A Reagan administration will repudiate this policy of despair, and establish in its place a policy of ~~of hope.~~ national energy self-sufficiency at affordable prices

To the Carter administration, "living with less" seems to be the only way to solve the energy crisis. A Reagan administration will set as its ~~strive, instead, for an optimistic energy future. Our~~ goal ~~will be~~ to ensure America adequate domestic energy supplies at affordable prices.

To make this goal a reality, I will present to you today ~~tonight~~ a Domestic Energy Production Policy. ~~I believe production is our most potent weapon in the energy war.~~ But first, I would like to outline where I believe energy policy has gone wrong, and discuss the Carter administration's proposed remedies to these problems.

The energy crisis actually began in 1954 when price controls were imposed on natural gas; it was intensified in 1971 when price controls were imposed on oil. These controls caused a drastic reduction in producers' ability to drill for oil and gas, and in their incentive to develop new ~~energy~~ sources fuel. As a result, oil and gas output in the continental U. S. has declined <u>every year</u> that we have had oil price controls.

Thus, the U. S. was forced by the early 1970s to begin relying heavily on oil imports from OPEC. By 1977, according to a study by two MIT economists, U. S. energy imports were <u>three and one-half times greater</u> than they would have been had there been no federal price controls.

Now, because of our heavy dependence on oil imports, OPEC has the U. S. economy in a vice-grip. It can extract whatever price it wants for its oil; it knows that, because of price controls, we cannot produce enough of our <u>own</u> energy to allow us to say "no" to higher-priced OPEC oil. Even Mr. Carter's former number two energy official, John O'Leary, now admits that the Congress and the Executive branch "have been enormously short-sighted and have placed this country at the mercy of OPEC."

These higher OPEC prices translate directly into higher prices for American consumers. Price controls, for all their supposed value, do not hold down prices. For instance, gasoline prices have nearly tripled since 1973; and they climbed 55% in the first half of last year alone. And heating oil prices have soared to over $1.00 a gallon. All this despite the existence of price controls. In fact, by forcing the U. S. to import more oil, the controls could be one of the main causes of much higher oil prices in the future. ~~Fo~~ And these higher prices will make it only more difficult for Americans to drive to work, to heat their homes, or to run a business.

Nor have the Department of Energy's allocation rules made the energy crisis any better. ~~The Department even admits that "in almost every case ... regulation has compounded any problem arising" in the energy market.~~

These allocation rules, in fact, were the primary cause of last spring's gasoline lines. ~~Let me repeat that. By the Department of Energy's own admission, DOE allocation formulas were the main reason we had to sit in those gas lines.~~ James Schlesinger, then the Secretary of Energy, conceded that "There would be no lines if there were no price and allocation controls," because it was these controls, he said, which "put gasoline where the cars are not."

But this shortage has not been DOE's only failure. ~~There's the Strategic Petroleum Reserve Project -- a program to store extra oil in abandoned salt mines to help meet any future oil crisis. The Department of Energy has so badly mishandled this project, that it had to stop it altogether, several months behind schedule and only about a third finished. Among other things, the Department provided no way to pump the oil out~~

~~once it was pumped into the salt mines.~~

For instance, ~~DOE~~ the Energy Department ~~#~~ ~~DOE~~ has also pushed up heating oil prices in the Northeast, by forcing companies to stockpile in excess of ~~too much~~ fuel. ~~And by requiring that heating oil and agricultural fuels be kept in storage tanks at refineries, where DOE can keep track of the fuels, rather than distributed to the localities, where the fuels are needed, the DOE could cause local fuel shortages of as much as 21%. These shortages should not be taken lightly. In the winter of 1977, natural gas shortages caused by federal controls forced more than a million workers out of their jobs. These workers lost more than $600 million in wages.~~

Our national energy record, then, has been dismal. It is almost as if the federal programs had been designed specifically to cause an energy crisis. In fact, if someone had set out to do just that, he could not have Created ~~come up with~~ a much more destructive set of policies. ~~It's easy to see why this is true.~~ U. S. energy policy has failed precisely because it has subsidized oil imports at the expense of domestic production; it has subsidized ~~high~~ OPEC energy price ~~increases~~ increases at the expense of stable U. S. prices; and it has subsidized big oil companies at the expense of small independent oil and gas producers. The result has been less energy at ~~and~~ higher prices for U. S. consumers.

Simply stated, you get less of what you discourage, and more of what you subsidize. Is it any wonder, then, that energy production in the United States has fallen, when U. S. energy policy has in effect punished domestic production? Or that imports have grown, when those same policies have subsidized foreign imports. Or that the big oil companies have grown more dominant, when energy policies have helped the majors at the expense of the independents?

~~We need more domestic production, more small independents looking for new sources of fuel, and stable energy prices. We don't need increased dependence on foreign oil and greater control of the energy market by the major oil companies. Any policy which gives us less of what we need, and more of what we don't need, is destructive. After a decade of energy crisis, policies which offer only more of the same *will not do*.~~

Yet look at what the Carter administration is proposing -- only more of the same -- more federal agencies, more controls on energy prices and producers, and more mandatory cut backs. In short, more of the *same* kind of policies which have brought us shortages, high prices, foreign imports, and big oil's dominance of the energy market.

Let me take just a minute to explain the difference between the independent oil producers and the big oil companies. The independents are the oil and gas *explorers* and *producers*. They do one job -- they go out and find new oil and gas and produce it. And they do that job well. In fact, the independents drill 90% of all new U. S. exploratory wells.

The big oil companies, on the other hand, are the oil refiners and marketers. They learned a long time ago that it is a lot more profitable for them to refine and market oil that has already been discovered, rather than to look for new sources of oil themselves. The majors do produce about half the oil in the United States, but by and large, they do little exploration here at home. And recently, the big oil companies have begun shifting even more of their oil *production* activities overseas. ~~too.~~

The Carter administration's policies will not reverse this trend. Instead, they will benefit the major oil companies at the expense of consumers and the independent~~s~~ producers, and they will encourage more foreign imports ~~production~~ instead of increased domestic production. ~~The Carter policies threaten to worsen, rather than improve, the energy crisis.~~

Let's look first at his Mr. Carter's phased ~~supposed~~ decontrol of energy. By telling producers that ~~the~~ in two to seven years ~~they will receive~~ a much higher energy price than they do now, Carter encourages producers to maintain their current level of production, ~~rather~~ than expand ~~increase~~ it. Why sell at a lower price now, when ~~you~~ they can sell at a higher price later? ~~What Mr. Carter has implemented is far short of real decontrol. Oil price controls won't be fully lifted until 1981. But he recently halted part of even this limited process, and has threatened to "punish" the oil industry -- perhaps by reimposing controls -- if Congress does not approve a stiff windfall profits tax. The tax, incidentally, would effectively continue controls, only under a different name. And Mr. Carter actually extended natural gas price controls, and will keep them in force until 1985.~~

~~Yet~~ And by keeping these controls on for at least the next few years, Mr. Carter is doing the big oil companies a favor. Because the price ~~Thus, Mr. Carter will maintain the policies which have been the main reason energy production has declined. Extending these policies will cause production to fall further. Because the price~~ controls apply only to energy produced at the wellhead, they penalize the 10,000 independents who search for oil and gas. But the major oil companies, which can then buy this artificially cheap oil for their refineries, ~~will reap a~~ reap a great benefit ~~at the independents' expense.~~ The price controls thus cause many of the independent producers to subsidize the big oil company refiners. ~~Federal energy policy should not subsidize the big oil companies; they should be required to pay the full cost for any oil they use.~~

Price controls also subsidize foreign oil imports. Because the federal entitlements system requires refiners of domestic oil to pay off refiners of foreign oil, it gives any company that imports OPEC oil $2.50 a barrel for nothing. Federal energy policy thus guarantees foreign imports, regardless of their price, a place in the U. S. market. This only encourages the big oil companies to move their production operations overseas to take advantage of this subsidy. ~~Federal energy policy should not subsidize foreign imports.~~

But Mr. Carter will only worsen this problem with his so-called windfall profits tax. With Mr. Carter constantly criticizing the oil companies for their profit increases last year, he built up a good deal of support for the tax. But amid all his fiery rhetoric, he forgot to tell us the whole truth.

First, 85 to 95% of many major oil companies' profits -- the profits he was complaining about -- come from overseas. These profits ~~would~~ will not be touched by the windfall profits tax.

Second, the tax has nothing at all to do with profits anyway. It is a sales tax on each barrel of oil produced in the United States. In other words, for every barrel of oil a company produces here in the U. S., it has to give the government as much as 75% of its additional income. If the same company produces that barrel of oil overseas, it won't have to pay any additional tax at all. Now just where do you think an oil company is going to produce its oil? Certainly not in the United States. In fact, the tax could divert to foreign countries enough investment to drill oil wells in our own country. ~~as much as $35 billion in investment. Energy policy should not unfairly encourage oil investment overseas.~~ What's wrong with keeping that money right here at home to produce oil in the United States?

Even the most optimistic forecasters concede that the tax could reduce domestic oil production by nearly one million barrels per day below what it would be without the tax. Thus, Mr. Carter's tax could deprive the U.S. of enough energy to fuel 17 million cars. And all ~~the~~ Mr. Carter can say is that Americans ~~have to~~ should drive less. ~~Other estimates of lost domestic energy production go much higher. Thus, the so-called tax on profits is actually a tax on energy production.~~

And, because the tax would so drastically reduce domestic production, its lasting effect would be to raise consumer prices -- and keep them up. The tax bill ~~now in conference committee~~ would add at least $227 billion to the federal treasury over the next decade. That's an added tax of more than $1,000 on every man, woman, and child in America -- and the administration's ~~is~~ ~~original~~ plan was to offer~~ing~~ only a few billion dollars in rebates. It is downright deceitful for an administration that bleats so piously about the alleged windfalls of the oil companies, to keep more than 90% of its tax windfall for its own use.

But Mr. Carter has his own plan in mind to use those new tax revenues. He wants to embark on a massive synthetic fuels scheme that promises to be one of the biggest federal boondoggles in history. Even if the fuels can be produced, they could cost twice as much as imported oil.

But you can throw all your cost estimates out the window if you can't even develop the fuels. The fact is, no synthetic fuels process in the United States has yet progressed beyond the pilot stage. The President is asking us to stake our entire energy future on a fuel technology that has not even been shown to be commercially workable. ~~In fact, the government halted its own first attempt to build a coal liquefaction plant precisely because more pilot-plant work was needed.~~

More important, the government will get the money for its synthetics scheme from the windfall profits tax. Thus, every dollar that goes toward fuels production for a decade or two later, is a dollar taken from oil and gas production now. The Carter plan would cost us production of one million barrels or more of oil today, to give us maybe half that much by 1995.

And who will benefit? Certainly not the energy consumer. Nor the independent producer who would pay the tax. No, as in the case of the other federal energy regulations, the big oil companies would actually benefit the most from the Carter plan. Just listen to the names of some of the companies the federal government will likely pay to develop synfuels: Exxon, Gulf Oil, Conoco, Mobil, Shell, and Texaco. Again, federal energy policy would subsidize the big oil companies at the expense of the independents, and would subsidize some theoretical future production at the expense of production right now. ~~As has been typical, Jimmy the Carter administration thus has climbed into bed with big oil and the Arab sheikhs.~~

Let me add that I do favor synthetic fuels development. But today, an all-out push could severely damage the environment. Synfuels production would draw huge amounts of precious water from the nation's most water-parched farming and ranching areas in the West. Coal-liquids are thought to cause cancer. And the President's own Council on Environmental Quality has warned that synthetic fuels would produce twice as much carbon dioxide as do current fuels.

These problems can be worked out, but it will take time. In fact, these are among the major problems being attacked by private companies. These firms are now conducting ongoing work on 26 oil shale projects, 30 oil sands projects, and 261 coal projects -- all without the involvement of a federal corporation. I agree with economists Paul Joskow and Robert Pindyck of MIT, who point out that "as (synthetic fuels) become economical they will be produced by private firms with or without a program of government subsidies." We simply do not need an $88-billion federal corporation.

Finally, this administration, more than any other, has promoted the idea of mandatory sacrifice. We have to cut back, the President tells us. "Too many of us now worship self-indulgence and consumption." ~~he lectures us. And besides, he says, we are running out of energy.~~

But is it self-indulgent to ~~I disagree. I don't think~~ struggle~~ing~~ to buy enough gas just to get to work, or enough fuel to heat one's home? ~~is "worshiping self indulgence."~~ The fact is, Americans, on the whole, do not waste energy. Yes, we use one-third of the world's fuel. But we also produce one-third of the world's products. And as prices have risen, Americans have been uniquely willing to conserve. In fact, ~~From 1973 to 1976, U. S. gasoline demand rose at less than half the rate it had in the previous two decades. In 1978, it rose less than in almost every other industrialized country. And In 1979, while the European countries were increasing their oil use by about 3%, Americans~~ we reduced ~~their~~ our oil consumption by 5% last year, we, and cut ~~their~~ our gasoline consumption by 8%. ~~That~~ ~~And~~ ~~Moreover,~~ Moreover, the Energy Department admits that American industry uses less fuel now than it did in 1973, even though it produces 12% more products.

Neither are we running out of fuel. The U. S. Geological Survey estimates that on the Outer Continental Shelf alone, the U. S. oil industry can recover twice as much oil as it has produced in its entire history. We have as much as 1,000 years of natural gas remaining in the U. S. And the Harvard Energy Project calls the United States a "Persian Gulf of coal."

Thus, all moralizing aside, Mr. Carter's so-called conservation plans are designed only to further "share the shortage" rather than relieve it. ~~His gat~~ For instance, his gasoline rationing plan ~~And now he wants to impose gasoline rationing every time we have a 5% oil shortage.~~ I am totally opposed to ~~this~~ ~~Such rationing~~ schemes ~~except in times of war or genuine national emergency. At any~~ ~~except in times of war or genuine national emergency. At any~~ other ~~time,~~ ~~rationing is~~ ~~they are~~ is a cruel hoax on those who live in cities without adequate public transportation, on those who live in rural areas, and on the poor, who could not afford to pay two or three times the normal cost of gasoline to purchase ration coupons in a rationing "white market." For the same reason, I oppose the ridiculous idea of putting a 50¢ or $1 per gallon tax on gasoline. This would only increase prices to consumers even further, ~~provide the government with another tax windfall at the consumer's~~

~~expense, without producing~~ an ~~drop of additional~~ drop of oil. ~~energy.~~

That doesn't mean I'm against conservation. Not at all. ~~All of us should use energy wisely, and government policies can help promote prudent conservation, as I will explain shortly.~~ But the fundamental flaw in Mr. Carter's mandatory sacrifice schemes is that no federal bureaucrary in Washington, D. C., can account for all the countless differences in circumstances from Los Angeles to Atlanta, or from Des Moines to New York.

But ~~It~~ it is simply no energy policy to just say "use less energy." ~~Yes, we can reduce our energy consumption temporarily through conservation -- Americans have done and are continuing to do just that. But this idea that "the cheapest barrel of oil is the one not used" is pure demogoguery. America did not conserve its way to greatness. And~~ Energy is such a vital ingredient in our lifestyle, that we can make drastic, arbitrary cutbacks only if we destroy the jobs and reduce the standard of living of the millions of Americans who are already struggling to meet their monthly bills. ~~We must not blithely condemn them or their children to such a permanent, desperate fate through moralistic federal policies.~~ I think the NAACP has said it best: "...we cannot accept the notion that our people are best served by a policy based upon the inevitability of energy shortage and the need for government to allocate an ever-diminishing supply among competing interests." I wholeheartedly agree.

Only with adequate energy supplies at stable prices can the low- or middle-income citizen afford to travel to work each day to provide an income for his family, can the businessman open up a new factory to provide jobs for the unemployed, or can the farmer sew his grain to provide food for Americans and the world.

Energy is important. And we must produce more of it. It is to this goal -- increasing domestic energy production -- that I will now turn.

Any fair and useful national energy policy must meet four criteria: It must increase domestic energy production. It must focus on our major present sources, oil and gas. It must, however, also be flexible, ~~broad-based,~~ to provide for effective and safe use of all current sources, and for introducing new energy sources as they become available. And it must ensure competition in the energy market.

There is an energy policy which will meet these goals. It includes no gimmicks, and there will be few surprises to those who understand our nation's energy needs. When a nation's energy policy has been as badly managed as ours has, it is no time for gimmickry. Energy policy must get back to basics.

Therefore, I propose the following Domestic Energy Production Policy:

First, we must immediately repeal all federal energy price and allocation controls. This action alone could dramatically increase U. S. energy supplies by the equivalent of several million barrels of oil per day. For instance, one-third of the oil wells in California have been closed down because of the controls; most could be reopened and start pumping again within a short time if the controls were removed. ~~One estimate of the total effect nationwide is that decontrol would increase domestic oil production by 2 million barrels per day by 1985~~ ~~an amount equal to one-fourth of our oil imports~~. ~~According to an Interior Department study, deregulation of natural gas could double gas production.~~

And contrary to Mr. Carter's claims, immediate decontrol would not be costly. ~~According to economists John Cogan and Michael Ward, "the least-cost strategy for reducing imports dramatically is the complete decontrol of the domestic crude oil~~

~~and natural gas industries." They point out, for example, that decontrol, by increasing our domestic energy supply, would create an additional three-quarters of a million jobs per year.~~

~~In fact, decontrol should not even raise consumers' energy prices.~~ Because of OPEC's control over the world energy market, U. S. consumers already pay the world price for the refined ~~oil~~ products they buy. ~~The only reason gasoline prices in Europe are so much higher than they are in the U. S., for instance, is that European gasoline taxes are as much as ten to fifteen times as high.~~ ~~So Only the big oil companies benefit from price controls, because they can buy the artificially cheap oil for their refineries.~~ Decontrol will only transfer income from the big oil company refiners, ~~to~~ who benefit from the ~~low~~ artificially low crude ~~oil~~ prices, ~~which they then refit,~~ to the independent producers. By strengthening the independents, decontrol will increase competition in the energy industry, and help stabilize energy prices even more quickly.

However, to the extent that either decontrol or OPEC price increases cause real per-unit oil industry revenues -- and hence federal individual and corporate income tax collections -- to increase, I will use the entire amount of additional federal taxes to provide Americans with across-the-board tax rate reductions and proportionate increases in federal assistance payments. The Carter idea of protecting consumers from high energy prices is to impose a $227 billion tax, and then ~~keep 90% of~~ the revenues for government's own use. A Reagan administration will return all of the government's tax windfall to the people. That is real protection against high energy prices.

Second, we must eliminate unreasonable barriers to energy production. There are three major barriers.

The most potentially damaging barrier is the ~~windfall profits~~ new tax on oil production,

~~tax, which is only a per-barrel tax on domestic production.~~ I will propose its immediate elimination.

Another energy production barrier is restrictive leasing of federal lands. The government prohibits energy exploration on 60% of its lands, and this includes half of all government lands known to contain energy resources. Further, only 3% of the Outer Continental Shelf has been leased. Failing to accelerate this leasing could mean giving up oil production equal to more than one-third of what we now import. And the Carter administration has closed off more than ~~one~~ 250,000 square miles of land in Alaska, which otherwise could be used to triple Alaskan oil production. I will seek to accelerate leasing, at the same time helping to ensure environmental protection.

A final energy production barrier is unnecessary and unreasonable regulation. We need a thorough review of every environmental rule. I will work to eliminate those rules which unduly restrict production, but provide little real protection to the environment.

Third, <u>we must establish within the Antitrust Division of the Justice Department a special Energy Antitrust Unit</u>. It makes no sense for a government to rail against windfall profits, if it will not do what is necessary to ensure that there <u>are</u> no monopoly profits. The energy industry is dominated in many ways by the large oil companies. Some of this dominance is the result of efficiency, much of it is the result of perverse federal rules, and some may be a consequence of monopolistic practices.

Unfortunately, it is very difficult to determine which practices, if any, are monopolistic. In establishing a special Energy Unit, I will charge the Justice Department with a specific responsibility to investigate the energy industry. In particular, I will order an immediate and continuing survey of the industry's structure, with special attention to the possible monopolistic effects of vertical and horizontal integration, and of oil companies owning more than one kind of energy source. If the antitrust laws are found to be violated, I will vigorously pursue ~~remedial~~ corrective action. There can be no solution to the energy crisis unless markets are allowed to operate competitively.

This is not to prejudge the issue. Oil companies which exercise substantial market power may or may not be anticompetitive. But we will not know until we undertake a thorough investigation.

Fourth, we must ensure the safe use of coal and nuclear power. Both of these sources could add significantly to our domestic energy supplies, for many of their technical problems are either overstated or solvable. My administration will encourage the increased use of both coal and nuclear power. At the same time, I will require that these fuels be used only within strict safety standards.

Fifth, we must establish government policies which will encourage prudent conservation by our citizens. Conservation does not mean just using less energy; it means using energy more efficiently. However, most improvements in energy efficiency require changes in industry or home design which can be made only if the money is available. For instance, many industries can conserve energy only by replacing old, fuel-guzzling plants with new, more energy-efficient ones; but high tax rates make the cost of replacing their plants too expensive. Homeowners can reduce their home energy use by as much as 50% with proper insulation, but again that takes money. To help stimulate these energy-saving improvements, I support reductions in tax rates on capital, and continuation of the tax credit for home insulation.

Unnecessary government rules also impede conservation. For example, the 1978 National Energy Act specifically prohibits utilities from installing home insulation; this ban will cost us many hundreds of millions of barrels of oil per year. Other rules discourage industries from adopting a process known as co-generation, or the joint production of heat and electricity. Yet co-generation could save 20% of the energy that industries now use. As President, I will examine these and similar regulations, and work toward ending those whose primary effect is to impede conservation.

Sixth, we must establish a sound dollar. The previous five steps will greatly reduce our oil imports over the next few years. We must realize, however, that such a striking turnaround in U. S. energy production will take time, and that for the first half of the decade anyway, we will probably still depend somewhat significantly on oil imports. We should do everything we can to ensure the continued flow of that oil.

Some steps I've already mentioned elsewhere. We must rebuild our national defense. We must establish a closer relationship with our nearest neighbors, Canada and Mexico. But we must also re-establish a sound dollar.

The truth is, high energy prices do not cause inflation. Inflation causes high energy prices. In inflated dollars, the world price of oil has nearly doubled in the past five years. Adjusted for inflation, however, the world price of oil in dollars now is virtually the same as it was at the end of 1973. In fact, the dollar price of gold compared to the dollar price of oil is actually less than it was half a decade ago.

All this should come as no surprise. The oil producing countries, like any traders, want something of value in return for their product. As long as our government continues to inflate the dollar, the oil producing countries will raise the price of their oil.

If the U. S. establishes a sound dollar, we will reduce the incentive of these countries to raise the price of their oil. More important, if we are offering them something of value -- a stable dollar -- they will be much less likely to cut off their oil shipments.

~~To re-establish a sound dollar, I will announce upon my inauguration as President that six months hence, on July 21, 1981, the U. S. will fix the dollar at the price of gold prevailing at that time. The intervening period will allow for economic adjustments to take place. In the months and years following, both the world oil price and supply should be much more stable.~~

Seventh, <u>we must develop an energy vision for the future</u>. This vision should include the clean, abundant energy sources such as solar energy, fusion, and hydrogen. Though they all face severe technical problems at present, when these problems are overcome, each source will offer the hope of unlimited, clean fuel. I will support ~~, where necessary,~~ research to move all of these exotic techniques from the drawing board to commercialization.

The policy I have presented tonight -- a Domestic Energy Production Policy -- offers what I believe to be the best hope of providing adequate domestic energy supplies at affordable prices now, throughout the rest of the century, and beyond. In this respect, it offers a clear contrast to the Carter administration's policy of "living with less."

~~As Americans,~~ We now have the ability to determine our energy future. But as I have listened the the Carter administration's dire predictions throughout the past three years -- that all we can do is drive less, pay more, tighten belts, turn down our thermostats, and wear cardigan sweaters -- I must confess that I ~~was~~ have been a bit concerned. And Americans have a right to be concerned when they see their lifestyle and standard of living being so dangerously threatened.

But it does not have to be that way. Rationing is not the wave of the future; it is a decadent remnant of some desperate past. And less is not more, as our national leadership would tell us. Less is less.

We must reverse this philosophy of despair. And I believe the Domestic Energy Production Policy is the way we can do just that. The 1980s <u>can</u> be hopeful. And one of the most cherished goals of the Reagan administration will be to turn that hope into reality. We will be committed to providing the energy necessary to fuel a growing economy, thereby opening up more and better jobs, bringing inflation under control, and increasing the standard of living for all Americans.

I don't believe it's time for our national leadership to give up on energy when the American people are ready for a bold offensive. They want to win this time, and so do I. The good news is that we <u>can</u> win. Let's <u>increase</u> our domestic energy production, <u>end</u> the energy crisis, and work toward providing an energy future we can all look forward to.

Thank you and good night.