

LUNC 17

~~SO~~

MADISON DEPOSIT

-2-  
Byrd would do that if we can  
get a time agreement.

~~At some stage~~  
wages ~~to~~ Does to tell him  
at some time whether to  
call it up if we don't have  
the votes.

5M - Putting windfall tax  
off would mean a weaker  
tax bill. Byrd - There are  
some who will delay windfall  
to delay SNT.



Carter - Re 1980 - keeping up  
much earlier. I've gone down  
the list of Senators who're up -  
one by one. I'll do everything I  
can to help seats Democratic.  
Invited Tip & Bob to send  
campaign letter chairmen  
to see him. Wants to see what  
he can do to hold seats for  
Democrats. Concerned about  
some of the Senate races.  
I'm not trying to force anyone to  
support me in the primaries -  
just want to keep Democrat seats  
in the Congress.

BYRD

THE LIMITS - SENATE FIBRIST -

Applies only to House -  
Repubs convinced can get the  
house in 4 years.

THON

① Jackson-Synfield

→ ② Winif. Profis

→ ③ SALT

← BYRD may switch  
There.

(over)



11-7-79

P.

1. IRAN
2. Thailand - Cambodia

HCC: SPKR DOES NOT SEEM  
to think ~~if~~ we'll have the  
votes.

Private conversation

VP's GRIMESTER theme -  
the 1st all the rest  
can't refrain from  
trying to trim teams  
- everything is heading  
toward a state of bareness.  
ness.



LDR517 BKFSJ  
(17-18-79)

PRES.

IRAN - PLANNED TO SEEK Sanctions -  
embargo.

Woolfall - Adm bill: 300b -  
will reserve judgment and  
comment to public when  
you come out w/ a bill.

CRANSTON:

CHRYSLER BY THURS. WILL  
BEAR WEIGHT DOWN.



LDRSH BKFT 7-24-79

PROS-<sup>①</sup> Cabinet changes.

② Crisis of confidence theme  
—some repairs.

③ Windfall profits tax

V.P. - CONCENTRATE HIS EFFORTS  
ON GAS PIPELINE

④ Production Corp.

⑤ Production Board

Wants to meet w/ Sen. Fin ~~all~~  
at 4 pm.

Ritchel Nom - Wed  
Panama  
Wald to hang

Byrd

Emergency Bill - Can't do until Sept.  
No tax bill until Sept.



OFFICE OF THE VICE PRESIDENT  
WASHINGTON

October 23, 1979

MEMORANDUM FOR THE VICE PRESIDENT

FROM: BILL SMITH 

RE: THIS WEEK'S LEADERSHIP BREAKFAST

A number of things worth reporting:

1. 1980 and the Congress: The President has been over a status report on individual Democratic Senators up in 1980 (you were promised a copy by Bob Russell) and will do everything he can to hold Democratic seats. He invited Byrd and O'Neill to send their respective Democratic campaign committee chairmen to plan how the President can help. The President said he was not trying to force anyone to support him in the primaries, just wants to keep Congress Democratic.
2. Obey Amendment to the FEC Bill and Senate Republican Filibuster: The Obey amendment limiting PAC contributions to House (not Senate) members will cause the first filibuster and cloture attempt of this Congress. John Rhodes has made the Obey amendment the major partisan issue of this session-- says it would prevent the Republicans taking over the House in four years which they think they have a prospect of achieving. At Rhodes' behest, Baker and his Republicans will form a solid front. Byrd will try to invoke cloture. With 42 Senate Republicans cloture will at best be difficult. The bill will come up in the next week or two before synfuels, windfall tax and the SALT Treaty.
3. Senate Schedule: Byrd is thinking about scheduling SALT between the two energy bills. He thinks SALT opponents may filibuster the windfall profits tax bill in an attempt



to prevent SALT this year. Stu pointed out that this is the best possible time to bring up the windfall profits tax bill in view of the huge oil company profits now being reported. If it is postponed until the end of the session it will be a much weaker bill.

4. SALT: Byrd said the President may have to decide whether he wants SALT brought up if we cannot count 67 votes. Byrd is prepared to do so and suggested one option might be that if it lost by one or two votes, he would adjourn the Senate sine die and move to reconsider as the first order of business next January.

5. Congressional Adjournment: Byrd expects the Senate to be in "well into December." The Speaker said the House will take Thanksgiving week off. The Senate will take Thanksgiving weekend off.



10-10-79  
LORRY BKFST

VA to follow up on Senate  
1980 - per J.C.

J.C. - 3 minutes left - SALT

Energy - ESCORP.  
Rating Authority.  
EMB -

Hosp cost containment

EOA Auth

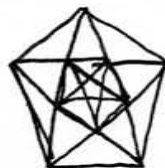
Endangered Species Act

FIR Auth. - 1011 veto issue  
bad precedent.

Inflation 4% = attributable  
to energy which last month  
was 100% on an annual  
basis.  $\therefore$  all increase is  
attributable to Energy costs.  
Unemployment rate will go up.  
Countercyclical Bill - passed  
Senate.

11/18: Reads Ari's memo

People in New Engl. think  
Fed Gov. should be able to  
pay the price of fuel oil -  
gas - don't mind - but  
Fuel oil really hurts.





Synfuels -

\$ 20 billion

wants letter in  
writing we weren't  
agreed

---

SALT II: what loose now

Start for Dec 1.

Byrd wants to educate  
people on the growing  
soviet threat and ~~on~~  
the bad state of our  
defense system  $\rightarrow$   $\therefore$  wants  
T.V. in Senate for SALT  
debate

---

CRAWFORD:

MUNN  $\rightarrow$  Defense

committed + SALT III

reserves a la Maginot

Byrd

695-6352

Can't Power

Can't be -



ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

September 4, 1979

CONGRESSIONAL LEADERSHIP BREAKFAST

Wednesday, September 5, 1979

8:00 a.m.

Family Dining Room

From: Frank Moore

I. PRESS PLAN

White House photographer.

II. PARTICIPANTS

See attached list.

III. AGENDA

1. Introduction/Foreign Affairs

A. The Cuban Situation

You should begin your remarks by giving a brief explanation of our posture toward the presence of Soviet troops in Cuba. A separate paper from Zbig, containing specific briefing points on this subject, is attached. I urge you to be extremely careful -- whatever you say will show up in the Evening Star and be carried on the evening news.

B. SALT

Your comments on SALT should also be brief, stressing that following the Administration's testimony before Senate Committees, the two aspects of the treaty that were in doubt when we sent it up (verification and the merits of the treaty) now appear to be in much better shape.

I recommend that you avoid a long discussion of defense spending by simply stating that you will be making your decision on this difficult issue within the next several days.

*Ted  
Kalus  
Speech*

*Oct 1st  
Romana?*

*Extensive  
Admission*

*Bill Smith*

*H.C.C.*

*Sum 53 Bill*

*Preserves*



C. Foreign Assistance

The measure will be on the House Floor tomorrow (Wednesday). We cannot afford to take any further cuts or to have any restrictive amendments. I think the most important and effective thing you can say to assure a favorable outcome is to thank Jim Wright for the help he has given us on this bill. Wright has gone out on a limb for us on this.

I suggest that your comments on foreign affairs be only a brief part of your opening statement. The sooner you move out of this area and into energy, the better.

2. Energy

You should open your energy remarks by expressing general dissatisfaction - both yours and the country's - on the progress of energy legislation in Congress.

A. Windfall Profits Tax

The Finance Committee's delay in reporting the Windfall Profits Tax threatens the entire energy program. Low and middle-income assistance is dependent on the tax, as is mass transit assistance. More importantly, our entire effort to use coal and other energy sources for a synthetic fuels program must be financed by the tax. There is no higher priority than passage of the tax.

B. Energy Security Corporation

Your first energy program was criticized for not dealing sufficiently with production. The ESC proposal is, in some ways, a response to our need for enhanced production and a device for using our most abundant fuel, coal, more effectively.

You should make three points:

1. Providing funding in stages is acceptable. For instance, you would accept a first stage in the neighborhood of \$25 billion with subsequent appropriations in out years for future stages. (This is what we are likely to get.)



2. The corporation is simply a mechanism for getting money into the hands of private enterprise. It is not designed as a huge government bureaucracy to own and operate energy facilities.
3. Although you do not want to discuss House or Senate procedure in depth, it does seem the House-passed Moorhead bill would be a perfect vehicle for passage of many of your energy proposals - particularly the synthetic fuels program.

C. Energy Mobilization Board

Of all the components of your energy program, the one proposing override of State procedural impediments to construction of initial energy facilities should have been easiest to achieve. Instead, the Energy Committee is now considering a bill establishing a system of Congressional review that would completely hamstring the Energy Mobilization Board. You should urge that this decision be reversed.

D. Iranian Oil Sale

For the Speaker's benefit during breakfast, you may want to explain the Iranian oil sale to him and remind him that you extended the \$5 a barrel entitlement for the purchase of middle distillates on the spot market. Express confidence that we will reach the 240 million barrel target.

E. SRC I & II

Your energy advisors suggest that now is the time for you to tell Senator Byrd that we may have a way to help him on both SRC plants. After expressing this note of optimism, you should tell him that Secretary Duncan will call him with more detail.

3. Priorities

You should indicate your concern about the need for Congressional action on other matters of national interest. I suggest that you mention specifically the need for both Houses to pass Hospital Cost Containment and the importance of wrapping up work on Department of Education and Panama Implementing legislation.



*Call Thayer*

You should then indicate that the Vice President, Stu and I will be consulting with the Leadership and their staffs in the next few days in an effort to develop a list of joint legislative priorities.

Note: You should know that Stu and I have met with Ari Weiss of the Speaker's staff - we tried also to meet with Senator Byrd's staff last week but were unable to schedule a meeting - we'll meet within a day or so.

4. Al McDonald and Landon Butler will supply you with a separate memo about themes you might address with the Leadership.



CONGRESSIONAL LEADERSHIP BREAKFAST

Wednesday, September 5, 1979

PARTICIPANTS

The President  
The Vice President

Senator Robert C. Byrd  
Senator Alan Cranston

Speaker Thomas P. O'Neill, Jr.  
Congressman James Wright  
Congressman Thomas Foley  
Congressman John Brademas  
Congresswoman Shirley Chisholm

Stu Eizenstat  
Jody Powell  
Zbig Brezinski  
Hamilton Jordan  
Bill Smith  
Jim McIntyre  
Frank Moore  
Dan Tate  
Bill Cable  
Terry Straub  
Bob Beckel



Wednesday, September 5, 1979

Breakfast Meeting with the President and Senate/House  
Leadership - Family Dining Room

Meeting with the President, Hamilton Jordan, Frank Moore

Hedley Donovan

Les Francis, Bob Thompson, Eliot Cutler, Gail Harrison & Energy

CONCERN  
We're vulnerable. And  
is in danger I not today  
adequate when our  
energy.

$\frac{TID}{FM}$  needs more stuff add

20 people  
③ E. A. - most important

378

Two - 2d Concert Budget

Neoh. - *Staph.*  
vaid f, at

7-8 April Reels

1 near

Energy  
Hills  
Thompson

Bob + Pearl

Thompson Replacement

Marato 5  
Wolke

manatos  
welen

Dirk Warden  
Dan Leach

Tom HALL  
Dan Baker

Tom Hark  
Dan Baker

Pat Shaa  
Bent

camp  
land.  
Hawes

Character

9-5-29 ✓ LDR 854  
2144A

(1) I wish him to tell Adam & want to discuss - in order not to offend - SAA etc.

$\Rightarrow$  (2) West de South is nothing

News

(3) Sht J in source for early  
(4) Take early North a - Brown  
etc.

→ WCS: Cameron's proof

Patent - Key

TREASURY - How much?  
Expend - OCT - 1920

Center - 2 1/2 yr assessment

Posy accomplishments -

Lesio b) senda

1459 Cost Cont.

Herp es.  
Parvum - need to expect

DD Blue.

next meeting NSC - today

Report to public:

Defense Commitment: b7d  
went to hear from

by 350 - well try to keep off. try at a time

tenet - needs to

to be used - will prove  
good for multiplication  
of Congress.

Cuba: 3000 = bissele - oremad

Deussen - W444505



No Engrs left on 1/00  
until October

Have Banks in  
no holidays until  
Thanksgiving.

Tom Foley

Need Const meeting  
+ Engrs + 12/10 as

enrgs + law no're  
made progress

Je. Delmar, & Lawrence to  
be re-elected &  
we shot for a new  
Const in no enrg  
active

Byrd: Don's be too  
critical of Const yet.  
D.



THE WHITE HOUSE

WASHINGTON

July 31, 1979

REPUBLICAN CONGRESSIONAL LEADERSHIP BREAKFAST

Wednesday, August 1, 1979

8:00 a.m.

Family Dining Room

From: Frank Moore

I. INTRODUCTION

The resolution of the energy and anti-inflation problems our country faces will require the leadership of both parties. You should tell the Republican Leadership you hope a spirit of cooperation will prevail and that you look forward to working with them in the fall when they return to complete the first session of the 96th Congress.

I suggest that you say that you are becoming increasingly concerned that Congress will not pass your energy program. Now that gas lines have disappeared, the "heat" seems to be off. Instead of the willingness to act we saw two weeks ago Members and Senators seem more inclined to discuss and debate -- to develop their own individual energy plans. If this continues we'll have 535 plans. Again we will have failed to deal with the energy crisis. You should urge the Leadership to help communicate the nature of the crisis to their constituents and to talk about the merits of our program as they return to their States and districts this month.

II. PRESS PLAN

White House photographer.

III. PARTICIPANTS

See attached list.



#### IV. AGENDA

##### 1. Energy Mobilization Board

The Energy Mobilization Board is a critical piece of our energy strategy. The Board is designed to cut through red tape at the Federal, State and local level so that both synthetic fuels plants and other critical facilities can be built.

Our studies show that to be meaningful the Board must be able to deal with procedural snarls at the State and local as well as Federal level. (Example of Sohio pipeline).

Good progress is being made in the House where Interior and the Energy Subcommittee of Commerce have reported bills.

Hopefully the Senate Energy Committee will report a bill.

But we have some concerns -- we want a meaningful bill.

We must have the power to expedite procedures at the State and local level as well as the Federal level (unlike the Udall bill).

The Board's expediting actions should not be subject to Congressional approval or veto. This will slow down the process and weaken the Board's ability to negotiate voluntary compliance with the States. (Dingell has a one-House veto; amendments may be offered in the Senate Energy Committee requiring two-House approval.)

NOTE: Both the Dingell bill as reported and amendments pending in the Senate would give the Board power to override the substance of Federal, State and local law. We have not asked this and we do not believe it is necessary. But we do need a strong Board with power to expedite and cut through procedural red tape at all levels of government.

##### 2. Energy Security Corporation

You should briefly describe the proposal -- \$88.0 billion, 12 year life -- independent corporation with accountability to both the executive and legislative branches. The focus of the corporation will be on synfuels. It will act as a catalyst to encourage investment and involvement by the private sector.



You should indicate your strong desire that both Houses pass the Corporation soon after they return in September.

3. Taxes

Both the House and Senate Republican Policy Committees have issued economic policy statements which call for substantial personal and business tax reductions.

The House plan is more specific in calling for "an immediate and permanent reduction in personal income tax rates of at least 10%".

This is not a totally partisan issue -- Senator Bentsen has also called for a tax cut, perhaps as large as \$50 billion.

You should reiterate your opposition to an across-the-board tax cut.

Giaimo, Ullman and Muskie say they can defeat a tax cut plan in their committees.

4. Foreign Aid Appropriations

In the House, you will be voting on the Foreign Aid Appropriations Bill later today. I want to ask you to hold the line against any further cuts, vote against restrictive amendments, and support ISTC.

The Appropriations Committee has already cut more than \$1 billion from the Administration's request to a level below that of FY 79.

Those amendments which place restrictions on the use of appropriated funds of the multilateral banks jeopardize continued U.S. participation in these institutions. The banks cannot accept our contribution on those terms. The banks play a constructive role in expanding world energy supplies in close cooperation with private enterprise.

The World Bank plans to lend over \$4 billion in the next four years to oil, gas and coal projects involving total investments of 3-4 times that scale, yielding the energy equivalent of 1.5 to 2 million barrels per day of oil.



5. SALT

Since former Secretary Kissinger's testimony has aroused so much comment you may want to say something like the following:

While I do not agree with some of the points made in Dr. Kissinger's analysis, I welcome his general approach to the SALT II agreement and his opposition to its renegotiation or rejection. His testimony contributes to a constructive debate on these vital foreign policy and defense issues.

With regard to overall defense policy, my Administration has and will continue to propose programs to strengthen our strategic and conventional forces and to effectively redress problems that have developed over the past decade.

The SALT debate has underscored the strategic problems which I have recognized and am working to rectify.



REPUBLICAN CONGRESSIONAL LEADERSHIP BREAKFAST

Wednesday, August 1, 1979

PARTICIPANTS

The President

The Vice President

Senator Howard Baker, Minority Leader

Senator Ted Stevens, Minority Whip

Senator Bob Packwood, Chairman,  
Republican Conference

Senator Jake Garn, Secretary,  
Republican Conference

Senator John Tower, Chairman,  
Republican Policy Committee

Congressman John Rhodes, Minority Leader

Congressman Bob Michel, Minority Whip

Congressman Clair Burgener, Secretary,  
Republican Conference

Congressman Bud Shuster, Chairman,  
Republican Policy Committee

Congressman Trent Lott, Chairman,  
Republican Research Committee

Hamilton Jordan

Jody Powell

Stu Eizenstat

Frank Moore

Zbigniew Brzezinski

Jim McIntyre

Dan Tate

Bill Smith



Report Lab 1 & 2

Development of clear defense policies  
Syn. Fuels vs Environment debate.  
Poor people's fuel bills - 10?

Dept. Report





THE WHITE HOUSE

WASHINGTON

BIPARTISAN CONGRESSIONAL LEADERSHIP BREAKFAST

Tuesday, July 17, 1979

8:00 a.m.

State Dining Room

From: Frank Moore

I. INTRODUCTION

You should use this bipartisan leadership breakfast as an opportunity to do several things:

- 1) You should recount your experience at Camp David with particular emphasis on what you personally thought and went through while meeting with leaders from all facets of society. You can educate the leadership to your thought processes, as well as convey to them the ideas and arguments that were expressed by some of those who met with you at Camp David.
- 2) You should reemphasize the basic themes of your Sunday night speech with particular attention to the comprehensive nature of the problem. You should state that you, your Administration, and the Congress must work together to solve the problems; that you realize there are bound to be differences along both party and policy lines, but that you hope a spirit of cooperation will prevail; that most differences can be put aside as we seek to both meet the energy challenge and seek to restore faith and confidence in America, as you stressed Sunday night.
- 3) We are reliably informed that the Senate leadership intends to tell you that they will act before the August 3 recess on Jackson/Johnston's comprehensive energy bill, having added to it the Moorhead synfuels bill which has already passed the House. (Note: While the House has not coalesced around a single proposal like the Jackson bill, they are likely to want some substantial action before the recess as well).



The Senators will ask whether this action on their part will constitute acceptable action on your program by the recess. Obviously, they expect you in return to request weeks for preparation of detailed proposals by the Administration -- which would leave us in an extremely embarrassing position.

One alternative, that of acceding to the Senators' request, is also unacceptable for the following reasons:

- It would leave us without an identifiable Energy Security Corporation, and with a water projects-type approach to alternative energy project funding (Senator Jackson's approach).
- It would leave us with an Energy Mobilization Board, or the equivalent thereof, which would have insufficient authority to cut red tape and end delays (the Jackson/Dingell/Udall approach which applies only to federal requirements and has less clout in general).

We suggest that you open the discussion on energy by making clear your top priorities for immediate action:

- The Energy Security Corporation with full discretion and independence in the synfuels/unconventional gas area.
- The Energy Mobilization Board with the broad powers you have imposed.
- Stand-by rationing authority.
- And, of course, and above all, a strong windfall profits tax.

We suggest that you say that:

- While other aspects of the program are extremely important (e.g., the utility oil backout, the residential/commercial conservation program, mass transit and aid to the poor) very quick action on these production incentives, and on rationing, is critical to a sense of forward movement.



- You would like these top priorities at least ordered from Committee in the Senate (which is ahead of the House in the hearings process) by the recess.
- That the windfall tax bill should be on your desk by the time of the recess.
- That you have presented a fact sheet which sets forth in detail the essential criteria you will use to judge the "Immediate Action" legislation, and you would leave to the committees and your staff the task of refining those proposals into legislative specifications.
- That you will make the top staff of your Administration (Stu Eizenstat, Jim McIntyre and Jim Schlesinger) and their people available to work with the relevant committees and their staffs over the next several days to hammer out the specifications of legislation on these "Immediate Action" bills which the committees would seek at least order reported to the full Senate before the August recess.
- That the full resources of the executive branch will be available for drafting and technical assistance.

In order for this process to work, it is essential that you delegate to Stu and Jim McIntyre responsibility for making a number of important decisions with regard to the specific elements of the legislation and that the Department of Energy and other agencies be instructed to work through your staff in this process. While appeal to you should certainly be allowed, it should be discouraged in the interests of speed. Only a decisive, unified Administration response can save us from the appearance of foot-dragging. (Note: We think it is unlikely Congress can meet this schedule, but better for them to fall short of our request for speed than vice versa.

Stu strongly concurs in these recommendations.

## II. PRESS PLAN

White House photographer.

## III. PARTICIPANTS

See attached list.



CONGRESSIONAL LEADERSHIP BREAKFAST

Tuesday, July 17, 1979

PARTICIPANTS

The President

Senator Robert C. Byrd  
Senator Alan D. Cranston  
Senator Daniel K. Inouye  
Senator Warren G. Magnuson  
Senator Henry M. Jackson  
Senator Ted Stevens  
Senator Bob Packwood  
Senator Edwin (Jake) Garn  
Senator John G. Tower  
Senator Mark Hatfield

Speaker Thomas P. O'Neill, Jr.  
Congressman Jim Wright  
Congressman Thomas S. Foley  
Congressman John Brademas  
Congressman Dan Rostenkowski  
Congresswoman Shirley Chisholm  
Congressman John J. Rhodes  
Congressman Robert H. Michel  
Congressman Samuel L. Devine  
Congressman John D. Dingell ~~(to be confirmed)~~  
Congressman Mo Udall ~~(to be confirmed)~~

Frank Moore  
Stu Eizenstat  
Jody Powell  
Zbig Brzezinski  
Jim McIntyre  
Bill Smith  
Dan Tate  
Bob Thomson  
Bill Cable  
Terry Straub



July 17, 1975  
Ldrsh Bkfst  
Bi-partisan

Meaning

JE - Sonora leaving today.

Fancy

OPEC = biggest threat. They're threats.

Wants to go - fast - very strong demand - as in speech

Wants windfall tax on his desk before the recess  
8 other bills than  
other & than one house

Energy, Security, Corp:

Gas rationing - standby  
authority - sustained  
shortage of 20% = 5%  
imposition.

Crisis of Confidence  
pitch. Crisis  
1970 - Pres 25%

Tip - we'll have more energy

Burd - Jackson - Hatfield

-2-

Rhodes - Leave reserves  
to private sector -  
B. - for mean the  
oil companies?

Stevens: 4 of us  
from energy, et al were  
invited to conf David -  
Bi partisan shp shd be where  
plane takes off not at  
the coast landing.

You've introduced  
more lands in history  
from oil & gas. Refuse  
let industry to explore  
explore 1/2. ~~less~~ Less  
than 1/10<sup>th</sup> Fed coal land  
are under lease.

Only 2 leases on B. oil shale  
Q: talk about unit 7 lands  
witness by Tim Allen.

Tower: Indep operators  
pitch.

Dingell: Time 1st.

Committees are moving - we  
want to know if you have a  
bid.



-3-

I.C. - Economy:

Zero growth this yr  
next yr - 1.5% - 2d  
quarter back to  
2-3% positive

Hosp Cost Gnt pitch

GARN Same Compliment

Coal production - Andrews  
Fm Fuel cost.

President:

"Frank get me a report  
on it tomorrow or I'll  
change my Congressional  
liason". This is  
embarrassing to me.  
I won't be embarrassed  
like this."

Fm Dept say "Ceil is  
handling it." I'll talk to  
Ceil."

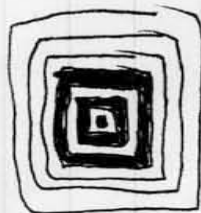
- 11) The Revolution requested  
the Speeches as the campaign  
kickoff
- 12) Dems in Congo aren't  
going to let leadership to  
pass to W.H.

POLITICAL MISTAKE

IC will move on.  
Nuclear power - just  
awaiting the 3 mi Is  
report. Can I see  
a solution to Nuclear  
waste problem - He's NOT  
on top of it.

I'll go to public  
w/ a major address  
on Nuclear  
waste  
safety - what we're  
going to do

I'll tell the people.  
We'll have  
to have Nuc. power.





THE WHITE HOUSE

WASHINGTON

June 5, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Frank Moore

SUBJECT: Wednesday's Congressional Leadership  
Breakfast/Discussion on Energy

Clearly, your discussion with Congressional Leaders tomorrow morning on the subject of energy is likely to be one of the most important conversations this year. Rather than providing "Talking Points" in the usual format, I thought it would be helpful to provide you with a more detailed memorandum covering our thoughts about the course we think the meeting ought to take.

First of all, it is CL's opinion that the following four points accurately describe the context within which any discussion of national energy policies should take place:

- 1) The failure of Congress to face up to the energy problem is due primarily to the fact that public recognition of the severity of the problem lags far behind the need for such recognition. In the absence of a concerned and/or aroused constituency, one which is demanding responsible action on energy, Congress is institutionally incapable of taking on such a complex and painful issue.
- 2) Unfortunately, too many Members of Congress have forgotten, or have chosen to ignore, their responsibility to educate their constituents on important and controversial national issues. Energy is but one example. Most votes and most public statements seem to be based upon short-term, parochial political considerations, rather than upon long-term national needs.
- 3) The American public is deeply suspicious that the so-called "energy crisis" is really a hoax. The people believe most of the problem is attributable to dishonesty and chicanery on the part of energy industries, most especially



the oil companies. However, the suspicion goes even deeper in the minds of too many Americans; in their view, the government is a co-conspirator in the hoax.

- 4) Much of the public and Congressional skepticism and hostility on the entire energy issue stems from a widespread disenchantment with the Department of Energy. In fact, to some extent at least, the House action on rationing and the caucus vote on decontrol were votes of "No Confidence" in the Department of Energy.

While some of these perceptions may be unpleasant -- and others may be flat wrong -- we believe they play important roles in the current debate.

During your opening comments you should cover the following points:

#### Nature of the Problem

- The most critical aspect of the energy problem is petroleum and the world's heavy reliance on that fuel which is constrained both in availability and in the willingness of some of the major producing countries to supply it. Almost all energy analysts have predicted a "cross-over" between supply and demand sometime in the 1980's.
- That cross-over point has in fact arrived in 1979. The current imbalance between supply and demand has caused spot shortages of oil and oil products here in the United States and has also, and more seriously, substantially increased prices charged for oil. The average price of OPEC oil long-term contract has increased by about 30% since December of last year. Spot market prices are reported well above \$30 for crude oil and above \$40 for refined products. The spot market prices and the surcharge system now being used by most OPEC nations continue to increase pressures for further increases in the long-term contract price for OPEC -- and non-OPEC -- oil. The spiraling of prices threatens the U.S. and other countries with devastating inflation rates and severe economic consequences. 65% of all oil used in the U.S. is bought at the world price, since half of our oil is imported, and about one-third of our domestic production is not, by law, price-controlled.



- The restoration of Iranian production has not restored world supply and demand balances for oil. The current Iranian production level is almost 2 million barrels per day below its pre-Revolution levels, and that deficit is not being fully made up elsewhere. During the cessation of Iranian production, our stocks of crude oil and refined product, as well as those of other countries, were drawn down to very low levels. Given current demand for oil and the need to rebuild stocks, world demand is still 1-2 million barrels per day above available supply.
- We face the chronic condition of living on a thin edge of a demand/supply balance. Variations of as little as 1 or 2% of total world supplies are enough to throw our economies -- and the world oil pricing system -- into disarray. Another disruption such as occurred in Iran would have serious consequences.
- In the United States, the estimated shortfall in supplies is about 500,000 - 700,000 barrels per day, including supplies needed to rebuild currently depleted stocks. This difference has to be made up, in the immediate term, by conservation, either voluntarily taken, or induced through the lack of supplies. We currently estimate that actual demand is over 1 million barrels per day below that which it would have been, reflecting the success of some of our oil to gas switching, power wheeling, other conservation steps, and the lack of supplies. We need to conserve at a rate of 5% below what we would otherwise be using if we are to rebuild stocks for next winter and meet essential priorities for home heating oil, agricultural use, and emergency services.
- As far as gasoline supplies are concerned, we hope and expect that recent moderate increases in the level of imports will lessen somewhat the probability of repetitions of a California-type situation. We will, however, be doing very well to get back to 1978 levels of gasoline availability. As you have read, allocations recently announced for the month of June are down from May levels, as a percentage of demand from last year. These allocations can be revised as the increase in imports is reflected in the system, and we expect this to occur soon if the oil companies perform as they should.



- I have directed the Antitrust Division of the Justice Department, along with the Department of Energy, to investigate oil company practices, including use of stocks, to ensure that no supplies are being withheld from the market in order to force prices up.
- In summary, it is essential that we -- and the American public -- recognize that there is a fundamental and underlying energy problem which is related to both supply and to world price increases. If there are violations of the law by the oil companies, we will detect them and bring the full force of the law to enforcement against them. If there are problems created by the way in which the federal government or I handle this situation, we will try our best to correct them. But none of these actions can possibly make the problem go away. We will still need to conserve, to provide incentives for domestic production of oil and other energy sources, and shift from oil to other supplies if we are to resolve our energy problem over the longer term.

(Note: Secretary Schlesinger has charts prepared for an afternoon press briefing. He will bring them into the Dining Room only at your direction).

#### Proposed Solutions

- This is why I focused on this issue early in my Administration, with the crude oil equalization tax proposal, and why I have continued those efforts with my actions to decontrol oil prices and the proposed windfall profits tax. I believe firmly that every day which we wait to act on these proposals simply compounds the difficulties we face now and in the years ahead.



### Lack of Public Understanding

- Pat Cadell did a national poll about two weeks ago which indicated that only 1/3 of the American people describe the energy crisis as resulting from real shortages of petroleum:

How would you describe the energy crisis (open-ended)?

33% - actual natural resources shortages (fossil fuels)

33% - "gasoline is too expensive"

33% - "conspiracy/hoax"

- While the situation is improving, only slightly more than half of the respondents regard the crisis as being very serious:

May '79

52%

Feb. '79

47%

Nov. '78

42%

- You could also discuss the changes in perception which have occurred in California as reported by Charles Warren. No longer do they imagine tankers lurking off the coast. No longer do they fear a conspiracy which will deprive them of all gasoline for some indefinite period of time. Instead, Californians now seem to understand that the crisis means 10-15% less than what they had expected. They can deal with that -- they're adjusting their consumption habits. Cooperatively, they're minimizing the adverse effects, not unlike the way they conserved during the drought of '77.

### Proposals for Increasing Public Awareness

- You should indicate a willingness to do whatever you can to educate the American people about the nature of the crisis. While you probably should not mention specific steps, we have in mind activities such as:

--An ambitious series of White House briefings.

--Regional forums and town hall meetings similar to Kahn's anti-inflation conferences.

--Publication of an "Energy White Paper" and brochures - distributed widely, especially to editorial boards.



- Greater use of symbolic moves to highlight energy conservation methods.
- You should suggest that Members of Congress can help by:
  - Holding Congressional hearings or community forums around the country highlighting the problem. (They might also assist with Administration sponsored forums and town hall meetings.)
  - <sup>ances</sup>Appearances on TV news talk shows by MC's who believe there is a problem and who are effective advocates.
  - Using Congressional newsletters to highlight energy problems.
- You should suggest that the private sector also be called on to help in the educational process. They could develop and sponsor:
  - Public service announcements
  - Advertisements - newspapers, magazines, outdoor
  - Speaker's Bureaus - labor leaders and corporate officers could seek and coordinate engagements with service clubs, local Chambers of Commerce, community organizations, etc.
- You should conclude by challenging the Members and Senators with something like:

"I have just outlined for you what I think our energy problems are, what I think the reasons are for the problems, what my proposed solutions have been and are now, and what I believe we ought to do to educate the American people. What I want to hear from you are any points of disagreement either on the nature and extent of the problem, the proposed solutions and/or the effort to increase public understanding."
- You should encourage a vigorous dialogue and then bring the discussion to an end by refocusing attention on its most important element - the need to increase the public's understanding of the issue. You should again solicit their active involvement and support - not necessarily for specific legislative or administrative programs - but rather in joining you in accomplishing the difficult task of educating the American people to the severity of the problem.



- o If the meeting goes well, another possibility you might want to consider is a televised discussion of the nature of the crisis between you and Members of Congress. While certainly an unusual approach from an historical perspective, it might be a way to demonstrate the joint responsibility of the Executive and Legislative branches.

(Note: we do not recommend that you discuss conversations which the Vice President and Stu have had with Byrd and O'Neill.)





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