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NEW YORK TIMES

Committee on Interstate and Foreign Commerce
Room 2125, Rayburn House Office Bldg.

MEMORANDUM

2-25-74

Dear Mr. Chairman: FEB 25 1974

Mr. Moss asked me to send you a copy of the attached New York Times editorial on the energy bill.

Leonard Silk, the New York Times editorial writer, called me early last week and I spent a couple of hours on the phone with him. Since I wasn't familiar with the Rules Committee situation, I asked Charley to talk to him. The writer was very negative at first, but, as you can see, I think we changed his mind a bit. Mr. Moss thought you might want to consider sending copies of the editorial either to the Rules Committee or to the entire House membership.

Sincerely, Mike Lemov

The New York Times

Founded in 1851

ADOLPH S. OCHS, *Publisher 1896-1935*
ARTHUR HAYS SULZBERGER, *Publisher 1935-1961*
ORVIL E. DRYFOOS, *Publisher 1961-1963*

Endangered Oil Bill...

Over the stubborn opposition of President Nixon and the oil lobby, who have fought a delaying action against the emergency energy bill, a two-thirds majority of the Senate this week passed a compromise conference version of the bill calling for price rollbacks on oil and measures to conserve energy. It also gave the President standby authority to order fuel rationing. Now the House Rules Committee, dominated by Congressmen sympathetic to the oil industry, has abused its power by setting this basically sound, middle-of-the-road bill up for almost certain extermination.

The committee's vehicle for execution has been a ruling that the energy bill can be killed on the floor of the House if any Congressman is sustained on a point of order against two of its most controversial sections. Ane of these calls for rolling back crude oil prices to $5.25 a barrel, while making any subsequent Administration decisions to increase categories of oil prices up to a maximum of $7.09 a barrel subject to detailed White House justification and Congressional review. The other section exposed to one-member challenge would give the President the power to restrict both private and public use of energy but would make this authority subject to Congressional review and veto. If either of these points of order — which can be raised by a single Congressman — is sustained by Speaker Albert, the entire bill would be dead.

In addition, the Rules Committee decreed that the House would have to vote not on the bill as a whole, but separately on a third controversial section granting the President authority to order rationing of refined petroleum products.

Quite apart from the substantive merits of the emergency energy bill, the reversion of the Rules Committee to its traditional exercise of dictatorial power over legislation is unconscionable. The important provisions of this bill should not be decided on a technical ruling that the conferees, in order to reach a compromise, exceeded their authority to alter the bills passed by House and Senate. The entire membership of the House should have a right to vote on the compromise energy bill, either as a whole or by major sections.

This bill, which would run only until May 15, 1975, unless extended, is at best an extremely complicated measure. In writing it, the conference committee confronted a fundamental dilemma: how to restrain the skyrocketing of oil prices without cutting back the supply of oil—and, in fact, while actually striving to increase it.

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Free-market traditionalists would say these objectives are contradictory, maintaining that there is no way to increase the supply of oil—or restrain its demand to equilibrium levels—without letting its price rise as high as the market wants to take it.

But the fundamental, unstated assumption of this position is that there is, in reality, a free market. This implies an absence of powerful monopoly forces capable of exploiting the highly inelastic demand for fuel, running prices up to levels that inflict serious damage on consumers and nations, exacerbate inflation and transfer enormous real income and profits to the monopolists. But the fact is that the Organization of Petroleum Exporting Countries—the oil cartel—constitutes just such a monopoly; and the monopoly prices charged by that cartel would, in the absence of action by the United States Government, permit the American oil industry to reap the full benefits of those foreign-set monopoly prices and profits.

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...Why It Should Pass

The emergency energy bill—with its provisions for price rollbacks and controls as an alternative to the Administration's own proposal for a so-called "windfall profits tax"—represents a compromise effort to restrain monopoly pricing without cutting off the supply of essential fuel.

The bill is actually generous—perhaps too generous—on pricing. It lets stand the basic price of a barrel of oil from old fields and wells, which the Administration boosted last year by roughly a third without cost justification; indeed, legislation calling for a steeper rollback on old oil would have been fully warranted. Secondly, the bill puts oil from "stripper" wells—producing ten barrels of oil a day or less, but accounting for one-eighth of total domestic production—under price control, as the Administration itself wanted. Thirdly, the bill would let the Administration raise the price of oil from new wells, if backed by proper data and reasoning, as high as $7.09—without imposing the windfall taxes of 85 per cent that the Administration favored at that level.

The Administration itself has argued that the equilibrium price of oil should be somewhere in the neighborhood of $7 a barrel. Indeed, if the ceiling price of $7.09 for some categories of oil should prove too low, there is opportunity to raise it still higher by new Congressional action—provided there was proper justification.

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The emergency bill does not set any price ceiling on oil coming from abroad. This may be a mistake. It might be better for the United States to set some maximum price for imported oil. If the Administration—and the nation—were willing to adopt energy conservation and rationing programs strong enough to deal with the emergency, the United States could both reduce its need for exorbitantly priced foreign oil and contribute in large measure to breaking the cartel and bringing its prices down.

If the compromise energy bill is killed on a technicality in the House now, a groundswell of public outrage over the failure of both Administration and Congress to serve public interests rather than oil interests will almost surely compel a renewed effort by responsible legislators to write an energy bill that will safeguard the nation's social and economic well-being and stability.