

-2-

DETENTE WITH DIFFICULTY

ON THE WORLD SCENE, THE MOOD OF DETENTE REMAINS ALIVE, THOUGH THERE ARE REAL THREATS TO IT, MOST NOTABLY IN THE MID-EAST. YET EVEN THERE, THE SIGNS, AS THE NEW YEAR STARTS, SEEM PROMISING.

THOUGH THE YEAR STARTED WITH THESE UNCERTAINTIES, IT STARTED WITH ONE REAL ASSET -- NOT A NEW ONE -- AS FAR AS THIS COUNTRY IS CONCERNED. IT STARTED WITH THE AMERICAN PEOPLE DEMONSTRATING THE KIND OF RESOLVE THAT IS OUR SINGLE BEST HOPE FOR SEEING THESE PROBLEMS THROUGH WITH THE LEAST SERIOUS DIFFICULTIES.

-3-

VOLUNTARY RESTRAINT

VOLUNTARY FUEL CONSERVATION EFFORTS ARE A NECESSARY COMPLEMENT TO THE EFFORTS OF GOVERNMENT AND INDUSTRY TO FIND WAYS TO INCREASE PETROLEUM SUPPLIES AND TO MEET THE GOAL OF ENERGY INDEPENDENCE FOR THE UNITED STATES BY 1980.

SYSTEM CAN RESPOND

IN THE SHORT TERM, THERE ARE GOING TO BE PROBLEMS. THERE IS GOING TO BE THE CONTINUING NECESSITY FOR SACRIFICE. THE AMERICAN PEOPLE WILL COOPERATE, I AM SURE, BUT THEY HAVE A RIGHT TO EXPECT THAT GOVERNMENT WILL TAKE EVERY STEP POSSIBLE TO MINIMIZE THE HARDSHIPS IN TERMS OF POSSIBLE JOB LOSSES AND DISRUPTION OF VITAL SERVICES. AS WELL, THEY HAVE A RIGHT TO EXPECT THAT WHATEVER INCONVENIENCE IS ENCOUNTERED WILL BE SHARED EQUITABLY AND NOT FORCED UNFAIRLY ON ONE CATEGORY OF FUEL USER OR ONE SEGMENT OF THE ECONOMY.

-4-

THE FUEL SHORTAGE QUITE LITERALLY HIT HOME IN PAOLA WHEN YOUR CHILDREN FOUND THEMSELVES IN FORTY DEGREE CLASSROOMS. IN WICHITA, A BASE INDUSTRY, SMALL AIRCRAFT MANUFACTURE, WAS SERIOUSLY THREATENED BY THE UNREASONABLE FUEL CUTBACKS PROPOSED FOR GENERAL AVIATION. TENS OF THOUSANDS OF JOBS WERE IN JEOPARDY.

BUT IN THESE AND IN OTHER INSTANCES, WE FOUND THAT SOMETHING COULD BE DONE. THE SYSTEM, EVEN IN THIS CRISIS ATMOSPHERE, DOES WORK. AND STEPS CAN BE TAKEN TO RESTORE HEAT TO CLASSROOMS OR TO RESTORE A DEGREE OF EQUITY AND BALANCE TO FUEL ALLOCATION FORMULAE SO THAT THE BURDENS OF THE FUEL CRISIS CAN BE MORE EVENLY SHARED AND NOT THRUST DISPROPORTIONATELY ON THE EMPLOYEES OF ONE INDUSTRY OR PEOPLE OF ONE AREA.

LONG TERM PROSPECTS GOOD

YES, IN THE SHORT TERM, THE PROBLEMS ARE BOUND TO ARISE. BUT I BELIEVE THE SYSTEM WILL RESPOND. RATIONING HAS THUS FAR BEEN AVOIDED, FOR EXAMPLE, AND STEPS ARE BEING TAKEN AT THE FEDERAL LEVEL TO ASSURE THAT FARMERS HAVE ENOUGH FUEL TO CULTIVATE AND HARVEST THE ADDITIONAL ACREAGES THEY ARE BEING ASKED TO PLANT THIS YEAR.

AND IN THE LONG VIEW, AMERICA'S ENERGY FUTURE SEEMS SECURE. THE FACTS ARE SIMPLE. IT IS ESTIMATED WE HAVE ENOUGH COAL TO FUEL OUR NEEDS FOR THE NEXT HUNDRED YEARS OR MORE. ACCORDING TO ONE ESTIMATE, THE AMOUNT OF OIL RECOVERABLE FROM SHALE DEPOSITS IN THE WESTERN STATES ALONE WOULD BE ENOUGH TO FILL OUR CURRENT LEVEL OF NEED FOR THE NEXT 30 YEARS OR MORE.

*Went
Dole
P. 10
L. 10*

-6-

SECONDARY AND TERTIARY RECOVERY

X AND ACCORDING TO ESTIMATES I HAVE BEEN GIVEN, THE AMOUNT OF OIL THAT IS LEFTOVER IN WELLS AFTER INITIAL PUMPING ACTIVITIES HAVE CEASED IS NOTHING SHORT OF INCREDIBLE. AT WELLS HERE IN KANSAS ALONE, ESTIMATES RUN AS HIGH AS 3 TO 4 BILLION BARRELS WHICH ARE AVAILABLE BUT AS YET UNRECOVERED AT EXISTING WELL SITES. FOR THE NATION, THE ESTIMATE RUNS ALMOST TEN TIMES THAT.

Y THE ONLY PROBLEM LIES IN THE FACT THAT AT PRESENT, THROUGH SO-CALLED SECONDARY AND TERTIARY METHODS, IT COSTS MORE TO RECOVER THIS 'LEFTOVER OIL' THAN IT CAN BE SOLD FOR. I AND MY STAFF ARE WORKING ON A PROPOSAL NOW THAT COULD MAKE IT ECONOMICALLY FEASIBLE TO GO AFTER THESE SUPPLIES. IT IS POSSIBLE THAT DECONTROLLING THE PRICE OF OIL PRODUCED THIS WAY MAY BE ALL THAT IS NEEDED. I AM HOPEFUL THAT EARLY IN THE NEXT SESSION OF CONGRESS, WE CAN BEGIN SERIOUSLY TO CONSIDER SUCH A PLAN.

-7-

NOT A PERMANENT SHORTAGE

THERE ARE NUMEROUS PROPOSALS FOR DEALING WITH THE ENERGY SHORTAGE. WHATEVER IS DONE, HOWEVER, IT DOES SEEM CLEAR THAT THE SHORTAGE, SERIOUS AS IT IS, IS GOING TO BE AT WORST ONLY A TEMPORARY PHENOMENON.

TO BE SURE, IT MAY LAST FOR YEARS RATHER THAN MONTHS, BUT THOSE WHO MAKE THE GLOOMY PREDICTION THAT IT MARKS THE END OF OUR INDUSTRIAL AGE AND WILL BRING AN INEVITABLE AND PERMANENT CHANGE IN OUR AMERICAN STYLE OF LIVING, JUST HAVEN'T COME TO GRIPS WITH THE FACTS. WE HAVE ENORMOUS RESERVES OF THE SO-CALLED FOSSIL FUELS, OFF-SHORE AND IN ALASKA, FOR EXAMPLE, AND QUITE A BIT RIGHT HERE IN KANSAS AS I JUST MENTIONED. AT BEST, THE PROPOSITION THAT THE ENERGY CRISIS MEANS THE END OF AN ERA AND THE BEGINNING OF A PERMANENTLY MORE AUSTERE AMERICAN WAY OF LIFE IS YET TO BE DEMONSTRATED.

-8-

WE HAVE THE BRIGHT PROMISE OF FUTURE TECHNOLOGICAL INNOVATION WHICH MAY MAKE POWER FROM THE ATOM, THE TIDES, THE SUN, AND EVEN FROM AGRICULTURAL WASTE PRODUCTS GO TO WORK FOR US IN THE FUTURE AS COAL AND OIL AND GAS HAVE WORKED FOR US IN THE PAST.

FORECASTS OF ECONOMIC STRENGTH

SOME OF THOSE PREDICTING THE DIRECT CONSEQUENCES FOR AMERICA IN THE ENERGY CRISIS ZERO IN ON THE ECONOMY AS THE SINGLE GREATEST TROUBLE SPOT OF THE FUTURE.

THE ENERGY CRISIS THEY PREDICT -- WRONGLY IN MY VIEW -- WILL LAST LONG INTO THE FUTURE AND WILL BE ACCOMPANIED BY ENDURING ECONOMIC PROBLEMS AND A LONG, AND SOME SAY PERMANENT, DECLINE IN AMERICA'S ECONOMIC STRENGTH.

THE SIMPLE FACT THAT IS OVERLOOKED IN THAT SCENARIO, HOWEVER, IS THAT THE AMERICAN ECONOMY IS NOW, AND IS SURE TO REMAIN, THE STRONGEST ECONOMY ON THE FACE OF THE EARTH.

-9-

THE WORLD NEWS, IN RECENT DAYS, BRINGS EVIDENCE OF THIS FROM EUROPEAN MONEY MARKETS, WHERE THE REALIZATION THAT AMERICA WILL BE HURT LEAST BY THE ENERGY CRISIS HAS BROUGHT SIGNS OF A NEW WAVE OF CONFIDENCE IN THE DOLLAR, AND OUR TRADE BALANCE HAS GONE BACK INTO SURPLUS AFTER THE DISTURBING DEFICITS OF THE PAST TWO YEARS.

MIXED PREDICTIONS

HERE AT HOME, I CERTAINLY CANNOT SAY THAT THE ENERGY CRISIS WILL HAVE NO SIGNIFICANT EFFECT ON THE ECONOMY. BUT ACCORDING TO ONE ESTIMATE, BY A RESPECTED PANEL OF ECONOMISTS, THE ENERGY CRISIS WHICH, IN ITS SUDDENNESS, CAUGHT US SOMEWHAT SHORT, WILL HAVE ITS GREATEST EFFECT IN THE FIRST PART OF THIS YEAR, AFTER WHICH WE CAN EXPECT THINGS TO START MOVING UPWARD.

INFLATION WON'T STOP OVERNIGHT, BUT THE RATE OUGHT TO BE DIMINISHED BY THE END OF THIS YEAR.

-10-

INTEREST RATES WILL PROBABLY BE HIGHER THAN IS DESIRABLE, BUT THEY ARE EXPECTED TO DECLINE SOME. AND FUEL SHORTAGES WILL UNDOUBTEDLY LIMIT TRAVEL AND PERHAPS CHIP AWAY AT PRODUCTION, YET BUSINESS WILL BEGIN TO INVEST IN NEW PLANTS AND EQUIPMENT IN THE EFFORT TO PREPARE FOR THE EXPECTED ECONOMIC UPSWING LATER IN THE YEAR.

AND WITH ALL OF THIS, IT IS ANTICIPATED THAT CONSUMERS WILL STILL HAVE MORE MONEY TO SPEND THIS YEAR THAN LAST AND THAT THEY WILL SPEND IT, SETTING RECORDS FOR RETAIL SALES IN THE YEAR AHEAD.

DETERMINED PEOPLE

THESE ARE, OF COURSE, JUST ESTIMATES. AT BEST, THEY CAN BE NO MORE THAN APPROXIMATIONS OF WHAT THE FUTURE HOLDS.

-11-

X BUT ONE THING DOES SEEM CERTAIN. THE AMERICAN PEOPLE APPEAR TO BE IN A DETERMINED MOOD. THEY ARE RESOLVED TO DIG IN AND SOLVE THOSE PROBLEMS THAT ARE UNDER THEIR OWN CONTROL. NO DOUBT, WE WILL BE HEARING A LOT IN THE MONTHS AHEAD ABOUT THE SPIRIT AND DETERMINATION OF THE AMERICAN PEOPLE, THEIR WILLINGNESS TO SACRIFICE VOLUNTARILY, THEIR EAGERNESS TO COOPERATE IN A CRISIS.

X BUT IT SHOULD BE SAID BECAUSE IT IS TRUE. ONE SIMPLE EXAMPLE ILLUSTRATES THE POINT. THE AVERAGE NATURAL GAS CUSTOMER IS PLACING LESS OF A DEMAND FOR SERVICE -- 5 TO 10 PERCENT LESS DEMAND -- ON HIS SUPPLIER THIS YEAR OVER LAST FOR NO MORE COMPLICATED REASON THAN THAT HE HAS RESPONDED TO THE CHALLENGE BY TURNING DOWN HIS THERMOSTAT.

-12-

IN SPITE OF QUESTION -- RESOLVE

THE FACT THAT MILLIONS OF AMERICANS ARE WILLING TO APPROACH THE CHALLENGE THIS WAY DESERVES TO BE TALKED ABOUT AND BRAGGED ABOUT. WE HAVE QUESTIONS, AND LEGITIMATE ONES, ABOUT THE FUEL SHORTAGE, ABOUT WHAT IS REALLY TO BLAME AND WHAT SHOULD BE DONE ABOUT IT. BUT THE AMERICAN PEOPLE KNOW THEY WILL GET THE ANSWERS TO THOSE QUESTIONS, AND IN THE MEANTIME, THEY HAVE SHOWN THEIR WILLINGNESS TO DIG IN AND WORRY MORE ABOUT MEETING THE PRESENT CHALLENGE THAN ABOUT ASSIGNING BLAME. ALMOST AS ONE, THE AMERICAN PEOPLE HAVE DECIDED THAT THEY ARE GOING TO MEET THE CHALLENGES AHEAD ON AND PITCH IN TO DO WHATEVER IS IN THEIR POWER TO SEE THE ENERGY CRISIS THROUGH TO ITS RESOLUTION.

-13-

DOMESTIC PROBLEMS AND THE WORLD SCENE

AMERICA'S PROBLEMS -- AND THE CHALLENGES AHEAD -- CANNOT BE LOOKED AT PROPERLY IN ISOLATION FROM ONE ANOTHER. THE ECONOMY AND THE FUEL SHORTAGE ARE INTERTWINED. AND THE INTERNATIONAL SITUATION AND THE ENERGY CRISIS ARE OBVIOUSLY RELATED, BOTH IN THEIR CAUSE AND IN THEIR EFFECT.

X THE FLARE UP IN THE MIDEAST LAST OCTOBER LED TO THE ARAB OIL BOYCOTTS, STRAINED OUR RELATIONS WITH SOME OF OUR EUROPEAN ALLIES, AND HAS ADDED NEW AND IMMEDIATE PRESSURES TO THE SEARCH FOR PEACE AND A FAIR SETTLEMENT OF DIFFERENCES AMONG THE NATIONS OF THAT PART OF THE WORLD.

-14-

PROGRESS, VISIBLE AND PROMISING PROGRESS, HAS BEEN MADE IN THE LAST SEVERAL MONTHS. NEGOTIATIONS HAVE BEEN STARTED BETWEEN ARABS AND THE ISRAELIS AND THE NEWS BRINGS ENCOURAGING TALK OF POSSIBILITIES OF COMPROMISE AND TROOP WITHDRAWALS.

HERE, TOO, THE SOLUTION IS NOT GOING TO COME QUICKLY, PERHAPS MONTHS OF HARD BARGAINING LIE AHEAD BEFORE THERE WILL BE ANY PERCEPTIBLE SUBSTANTIVE RESULTS. BUT THE FIGHTING IN THE MIDEAST HAS STOPPED, DUE LARGELY TO THE STRENUOUS EFFORTS OF SECRETARY KISSINGER. THE PARTIES ARE NEGOTIATING, AGAIN DUE IN NO SMALL WAY, TO AMERICAN DIPLOMACY.

WHILE WE START OFF THE YEAR WITH QUESTIONS AND UNCERTAINTIES, I BELIEVE THAT THE PROSPECTS, ON ALL FRONTS I HAVE DISCUSSED, ARE FOR THINGS TO BE BETTER RATHER THAN WORSE, AT YEAR'S END.

THE OUTCOME DEPENDS, OF COURSE, ON A WHOLE RANGE OF VARIABLES WHICH WE CANNOT FORESEE. BUT IT ALSO DEPENDS, IN LARGEST PART ON THE AMERICAN PEOPLE, ON WHOM WE CAN DEPEND.