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Edward M. Kennedy

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# The Energy Problem

*Massachusetts Senator Edward M. Kennedy gave the graduation address at the 111th Convocation of Howard University on May 12, 1979. Ed.*

**By Edward M. Kennedy**

*The graduates this morning [May 12] come from every corner of the globe—from Africa, from Latin America, from Europe, from Asia. Your influence reaches far across Georgia Avenue, far across the District line, far across the oceans, to all the major continents of the world.*

*The Howard University Medical Center stands as one of the foremost health care centers of modern America.*

*And the Howard University School of Law is widely honored as the West Point of the Civil Rights Movement. Twenty-five years ago [May 17], the nation will celebrate one of the great Supreme Court decisions of all time, Brown v. Board of Education. And on that occasion, we shall also celebrate Howard University and the central role this law school played in convincing the Supreme Court that its precedents were wrong, that segregation was wrong, and that the time had come to bring the walls of racial discrimination tumbling down in every city, town and village of America.*

*We need a little more of that spirit, a little more of that dedication, a little more of that leadership now, if we are to achieve the goals we share in the face of all the challenges confronting us at home and overseas.*

President Carter deserves great credit for the announcement that he will meet in Vienna in June with President Brezhnev of the Soviet Union to sign the new SALT treaty on nuclear arms control. There is no more important question facing my generation or your generation than the prevention of nuclear war. The success of SALT is an indispensable step toward that goal, and I look forward to ratification of this historic treaty by the Senate at the earliest possible date.

But we face other serious challenges as

well. And on few issues is effective leadership more urgently needed than in the serious and worsening crisis America faces over energy prices and energy supplies.

In the District of Columbia, and across the nation, the elderly, parents with young children, and other families are already struggling to pay for the basic necessities of life. They are struggling to pay for groceries, for housing, for health care, and for energy.

They have already made great sacrifices. And now, they are being asked by their government to make an even greater sacrifice for fuel—because three weeks from now, the Carter administration will begin to raise the price of oil.

Especially hard hit will be those who have the least. When you see their plight first-hand, whether in Anacostia, or Roxbury, or Harlem, or Buttermilk Bottom in Atlanta, you begin to understand the extraordinary sacrifice that some American citizens will have to make to pay the price of fuel.

According to facts prepared by the Department of Energy:

- low income families spend 1/3 of their income on energy, compared to only 10% for the average family.
- when energy prices rise by 25%, the percentage of income paid for energy by the poor goes up four times faster than it does for the average family;
- some elderly families are already spending 50% of their income on energy during winter months; some poor families are already paying \$1,000 of their \$3,000 income for energy.

There is a limit to the burden the poor should have to bear. And yet the government is asking them to make an even greater sacrifice. No one in this country should have to choose between adequate food and adequate heat. Thermostats cannot go down much lower without serious risks to health. Living patterns are fixed and mass transit is inadequate, so people cannot stop driving their automobiles to work.

Incredible as it may seem, the policies we are now pursuing will bring the people of this country dollar-a-gallon gasoline and dollar-a-gallon home heating oil.

But wait, says the administration. Don't forget our windfall profits tax, which will at least make the oil companies share the sacrifice, by depriving them of the excessive fruits of decontrol.

Over the next six years, the administration estimates that the oil industry will receive a windfall profit of \$57 billion because of decontrol. But the windfall profits tax will recapture for the Treasury a grand total of only \$7 billion—or only 12%.

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**“A 50% windfall tax is too mild.”**

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The President has said many times in recent weeks that he wants a 50% windfall profits tax. In my view, even a 50% windfall tax is still too mild. It would leave too big a windfall for the oil industry.

But that is not the point. If the President says he *wants* a 50% tax; if the President tells the country he *has* a 50% tax; then I say the President ought to be asking Congress for a 50% tax and not a 12% tax.

Even the phrase “decontrol” itself is misleading. It violates the truth in labeling law. It is not decontrol at all. There will still be controls. The only difference is that control over the price of American oil will be turned over entirely to the OPEC countries and the oil industry. And neither OPEC rulers nor oil industry executives are known for their concern over the price of gasoline at the pump at Law's Texaco station at Georgia Avenue and W Street.

There is no free marketplace in world oil. There is no free competition among major oil producers. There is a powerful foreign cartel with the power to fix the world price. There is also a powerful domestic industry with the power to push U. S. prices to the world level.

Until we can alter these conditions, decontrol is wrong. Until the laws of competition can be made to work, the price of American oil should be controlled by the

government of the United States, and not by OPEC governments.

Perhaps, if there were some offsetting benefit, the American people should fairly be asked to suffer the consequences of decontrol.

Two principal benefits are suggested by the administration: *first*, they argue that higher prices will encourage citizens to conserve on energy. *Second*, they argue that higher prices will bring more oil, because the industry will use its higher profits to seek and find more oil.

Neither claim is valid. In spite of the huge price increases since 1972, domestic oil production in the United States has continued to decline. And virtually all of the reductions in consumption that can be obtained by price alone have already been achieved by low and middle income groups.

At best, a price increase now will have only a marginal effect on the use of fuel. Low and middle income groups will be devastated economically. But the wealthy will hardly notice.

They can still afford 20 cents a gallon more for their gas guzzling automobiles. They can still afford to fly their private jets to Washington to lobby for decontrol.

No, decontrol is not a burden on the rich. Instead, it is the worst form of rationing, because it is rationing by price. It is a form of rationing aimed only at low and middle income groups, who will find it much more painful to pay the cost of fuel.

What possible gain can there be for America from an energy policy whose primary effect is to boost the already ample profits of the oil industry, put millions of consumers through the wringer, and sharpen the class divisions in our society?

Is it fair to ask those who are poor to pay a much larger proportion of their income for energy than those who are more affluent?

Is it fair to ask poor elderly citizens in northeast Washington to shift to cat food so they can afford to pay their heating bills?

Nor will higher prices encourage the production of significant new quantities

of oil. Nothing in the administration's plan requires the oil industry to use its profits to find more oil. The Congressional Budget Office calculates that decontrol will produce only 400-500,000 additional barrels of oil a day by 1985, which is six years away. That increase is only a tiny fraction of the 10 million barrels a day the United States is importing at the present time. If that is the result of decontrol, it isn't worth it. Each barrel of new oil will cost the American consumer \$60, or nearly four times the price of oil today.

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**“Decontrol . . . will make inflation worse.”**

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Decontrol is also wrong for another reason, because it will make inflation worse. Impartial experts estimate that decontrol will add nearly one full percentage point to the consumer price index in the next two years, at a time when we are already suffering from inflation of more than 10%. In effect, the administration has shot its own anti-inflation guidelines program in the foot.

Decontrol may well have a more damaging effect on our efforts to control inflations than all the settlements of the Teamsters, the rubber workers and the auto workers combined. By what yardstick of fairness can the administration allow a price increase of 50% or more for U. S. oil producers, and then ask American workers to restrain their wage demands to only seven percent?

There are better answers to our energy crisis than oil price decontrol. There are promising alternatives waiting to be explored. There are signs of hope that, working together and as individuals, we can deal responsibly and effectively with the issue.

Although we face a crisis, we do not need to panic. The world is not running out of oil. The sky is not falling in. In the early 1960s, the non-communist world had 35 years of oil left. Today, we still



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 have 35 years of supply left, even at current higher consumption rates, because we have found new sources in the intervening years.

There are other encouraging signs that supply and demand for oil in the world economy can be maintained in reasonable equilibrium. In the past five years, world demand for oil has grown by only a little more than a million barrels a day. During the same period, supplies outside the OPEC nations have increased by three times that amount.

Our energy problem is not that we face the end of the world's oil supply. The problem is that America has become increasingly dependent on a small group of closely-knit countries in one of the most volatile regions of the world. There is little likelihood that this situation can be changed overnight. But there is equally little likelihood that this situation will continue indefinitely.

Cartels are not immortal. In the coming years, OPEC's stranglehold on world oil supply can be loosened. North Sea oil has already transformed the economy of Britain. Mexico is becoming a Saudi Arabia of the western hemisphere.

The example of Mexico demonstrates the remarkable speed with which change can come. In 1975, when President Ford visited Mexico in the wake of the Arab oil embargo, proven Mexican reserves were 2.5 billion barrels. At the time of President Carter's visit earlier this year, the level had climbed to 40 billion barrels. Potential reserves may be as high as 300 billion barrels—enough by itself at present rates of world consumption to last for 18 years.

There are other areas of tremendous potential. Venezuela has reserves of heavy crude oil equal to nearly three trillion barrels, which they can already begin to produce profitably at current prices. Some experts believe that the Caribbean basin may well be another Persian Gulf.

Recent studies indicate that OPEC's share of the world oil market can be reduced. The United States, in cooperation with other nations and with multinational

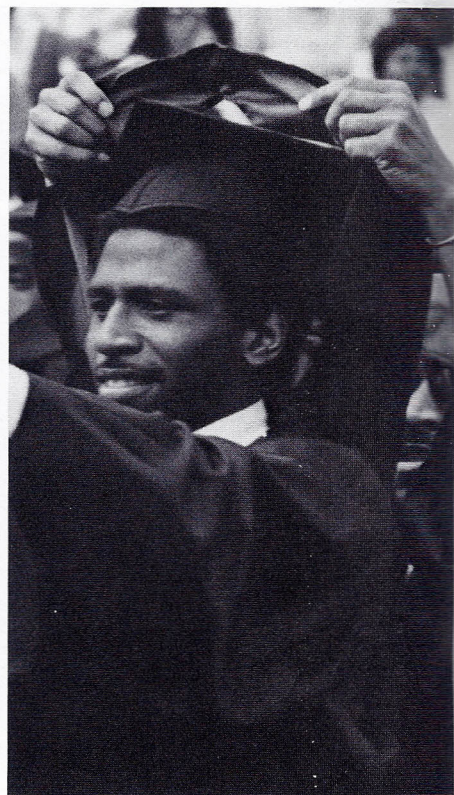
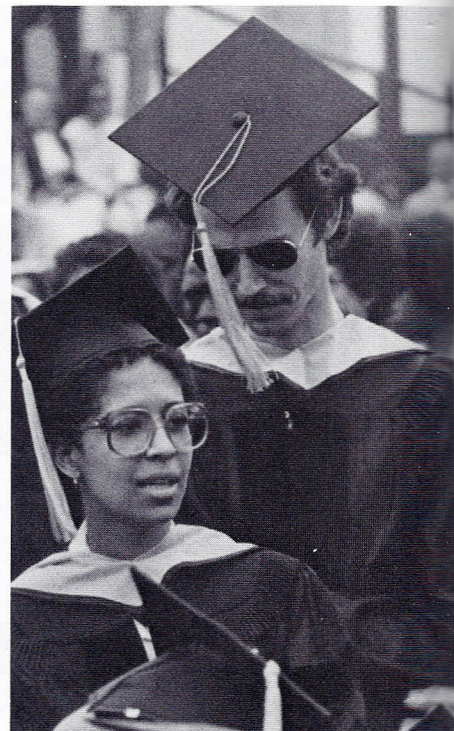
54 institutions such as the World Bank and the Inter-American Development Bank, must do all we can to promote the development of oil and gas supplies around the world.

Major new pools are waiting to be discovered elsewhere—if not in the United States, then at least in unexplored far-flung corners of the world. We have barely begun to make the effort. We have drilled more holes in Arkansas in search of oil than in all of Latin America, more holes in North America than in the rest of the world combined.

On the basis of past record and future promise, it is fair to say that the solution to our energy crisis is more likely to be found by cooperating with developing nations, rather than by funding huge, industry-dominated pork-barrel projects through the Department of Energy.

Here at home as well, there are alternatives to decontrol that offer worthwhile signs of progress. In the 1960s, when demand for electricity was climbing at seven percent a year, there were serious doubts that enough coal and uranium could be mined to supply our power plants. But electricity growth is now significantly lower than projected, bringing obvious benefits in its wake. We have virtually eliminated the use of oil in new generating plants. Without serious risk of shortage, we can mine coal in ways that do not ravage the environment. We can take the time required to learn the lessons of Three Mile Island and build adequate safety into nuclear reactors. We can avoid the ominous use of breeder reactors and plutonium-based fuels, which experts once felt were needed to stretch our limited uranium supplies, but which raise the unacceptable risk of nuclear weapon proliferation or accidents far worse than Three Mile Island.

America has also learned since 1973 that the linkage between economic growth and energy consumption can be broken. Through wise measures for conservation—which experts now describe as “increased energy productivity”—we can



reduce our rate of energy growth without jeopardizing economic growth.

With modest efforts, America's energy consumption in the year 2000 need not exceed current use by more than 25%, even though our GNP will grow by 50% or more. With a more determined effort, energy growth might well be held to only 10 or 15 percent above present levels. Instead of deepening our dependence on foreign oil, we can reduce our imports, enhance our energy security, expand our economy, and improve our balance of payments.

Finally, there is cause for pride in some everyday examples of traditional American ingenuity applied to energy. Each effort by itself is small. But as they multiply throughout the country, they bring substantial benefits:

■ Builders today are constructing homes that use one-third as much energy as earlier comparable dwellings.

■ Factories, hospitals and commercial institutions are installing turbines to produce electricity by a process called "cogeneration," as a byproduct of the means they use to heat their buildings. In Massachusetts, the Harvard Medical Center will soon be producing 50 megawatts of electricity by this method—enough to supply the energy needs of a city of 50,000 people.

You cannot even find the word "cogeneration" in most dictionaries today. But it will be an energy watchword of the 1980s.

While there is great potential in these methods, we also must be vigilant to protect our free enterprise system. The promise of cogeneration can easily be undercut by unfair competition from utilities. The giant oil corporations have no interest in competition from coal or solar power or other energy sources.

As chairman of the Judiciary Committee in the Senate, I shall do all I can to ensure that competition is allowed to flourish in these areas. In the coming days, I intend to introduce legislation in the Senate to

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***"The most effective solution to our energy crisis can be summed up in two words: free enterprise."***

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prevent the largest oil firms—who are the chief beneficiaries of decontrol—from merging with any other firm, energy-related or not, whose assets exceed \$100 million a year.

The most effective solution to our energy crisis can be summed up in two words—the words that built this country and made it great, the words that symbolize the backbone of our economy—free enterprise. We can build competition into our domestic market, so that alternative energy sources and more efficient uses of energy will emerge as quickly as they can be developed by the ingenuity of a vigorous American free enterprise system.

We need not fear the actions of the OPEC nations. We need not fear the greed of the major oil companies. We need not resort to desperate measures like decontrol, or fight the dubious battle for a dubious windfall profits tax. We can place our trust and reliance on a better system—our system of free enterprise—a system in which numerous energy sources at home and overseas compete to supply our nation's energy needs.

That is the fundamental mistake of the Carter administration on energy policy. The answer to our crisis will be found by giving more power to competition, more power to the people—not more profits to Big Oil.

There is a role on issues like these for Howard graduates—a role waiting to be played by you and thousands of other Black Americans who are moving into the mainstream of American economic life.

You do not have to go on suffering in silence and misery because of policies that contradict your interests. You can change those policies. You can become a powerful political force in modern America. You make the system work for you, just like the oil companies now make it work for them.

If we work together, we can reach the goals we share.

We can pass the Fair Housing Bill and provide the enforcement muscle we need to end discrimination in the housing market.

We can pass the legislation to make Martin Luther King's birthday a national holiday.

We can pass National Health Insurance and make health care in this rich land a basic right for all, not just an expensive privilege for the few.

We can put more Blacks and other minorities on the Federal bench in every state, including the Commonwealth of Virginia.

We can ensure that the Higher Education Act provides adequate economic support for Black colleges and universities.

We can ratify the Equal Rights Amendment, so that no woman in America is the victim of discrimination because of sex.

And we can ratify the D. C. Voting Rights Amendment and give the people of the District of Columbia the representation they deserve in the United States Senate and House of Representatives.

We can reach these goals if you are willing to get involved. Each of you as individuals can make a difference. You can go forth determined to be on both ends of the gasoline pump. It is not enough to learn how to operate the self-service nozzle. You can also learn how to press the buttons in the executive suites of oil or any other industry. You can make both government and business work for you. □