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ENERGY AND THE ECONOMY

Highway users include all of us. The problems of transportation and our highways are linked closely to the economy and to energy, for without prosperity our highways will become byways. So I want to talk to you about the state of our economy and how our energy policy is working to achieve and end to inflation and attain self-sufficiency.

Those who predict that the American spirit is dead are like the newspaper editor that reported that Mark Twain was dead. You remember that Twain replied that the notices of his death were greatly exaggerated. Those who write off the American spirit likewise exaggerate. Our spirit runs deep like the rivers.

During the past decade our spirit has been challenged by forces that are beyond our control. The most glaring example is the energy crisis. I remember people saying that our age of greatness was passed, that now we would be at the mercy of foreign oil producing countries--OPEC.

What^{was} our response to this challenge? When the gas lines formed a year ago, the President urged us to conserve. There were skeptics who said that we were so accustomed to wasting energy that nothing would help. They were wrong. We have too much pride to be at the mercy of anyone.

Recent reports show that oil imports into the United States this summer have been running one-fourth below last summer's level. For the month of August this year, our imports were 37 percent lower than August a year ago. This saving comes not only from conserving in our driving, but also in saving home heating oil. Let me reiterate that once the American people realize that there is a crisis, they respond. No one person's decision to conserve fuel would make much of a dent in our fuel consumption, but millions of people responding makes a sharp difference.

Industrial leaders responded and found new ways to conserve fuel also. The first steps were easy--wrapping pipes and turning off the lights. But corporations realized that conservation paid off, especially as the price of oil increased. In American industry, there has been a steady drop in the ratio of energy input to productive output.

The automobile industry has likewise reacted to our energy crisis, and I am very impressed with Lee Iacocca's determination to produce cars at Chrysler that are fuel efficient, roomy, and attractive. I had misgivings about Chrysler ever recovering, but with the new K cars I think that they will survive and prosper. It is the nationalistic spirit that Iacocca personifies that will see us through this crisis.

A key to this conservation that is usually overlooked is the decontrol of oil prices by President Carter. Remember that after the last recession in 1975, control of oil prices insured that relatively cheap gasoline would continue. Demand continued high until the Iranian crisis last year. Then prices took off again.

The President's decision was a tough one, for it would both make energy more expensive and also lead to large windfall profits by oil companies. But I agree with a recent editorial in the Washington Post: "Decontrolling oil prices will stand as President Carter's most important and most courageous contribution, over the past four years, to energy policy and future economic stability."

The President also proposed a Windfall Profits Tax that was ~~was~~ courageous. While some claim that the tax is unnecessary, let me stress that this law passed only after

an extended debate. I think that the compromise that was achieved is a fair one. Oil companies received many breaks that encouraged exploration, and the bill also encouraged the conservation of resources in many ways. I do not advocate soaking anyone with taxes, but I do think that corporations and people alike should pay their fair share.

Congress also responded to the energy crisis with the Synthetic Fuels Act that encourages new technology to find other sources of oil from coal and shale. It also encourages conservation of energy in a number of ways.

My point in these examples is that on all levels, from people cutting back their thermostats and driving less to Congressional action, we have looked the crisis in the eye and resolved that our spirit will not allow us to be the victim of an international oil cartel. We will find ways to achieve energy independence, whether it is with gasohol or oil from shale or coal. We have already made great strides in this quest, and will achieve our goal in the end.

The present war between Iraq and Iran makes it even more imperative to attain self-sufficiency. Although it is too early to speculate on the impact of this war, we should nevertheless continue to conserve our energy.

Our economy has been in a recession of late, but there are signs that show that we are coming out of it. When I talk about the economy and mention economists' predictions, I remember what Harry Truman said about economists. One learned economist came into his office and started his presentation by saying, "Mr. President, on the one hand. . . . but then on the other hand...." Well, Harry Truman got mad and said, "Dammit, what I need is a one-handed economist."

Another time he stated: "If all economists in Washington were put end to end, they would still point in every direction."

First of all, when I came to the Senate in 1975, I never expected to see inflation at the rate that it is today. The impact of the price increases in OPEC oil cannot be overestimated. In 1973 a barrel of OPEC oil was selling for about \$3.40. Today that same oil costs over \$31, almost a ten-fold increase in those eight years.

But as I mentioned, we are buying less of that oil now. This will greatly improve our balance of payments. By the way, our trade is expanding. Once we get our energy

purchases down, our exports in agricultural products and other goods will give us a favorable balance of trade. In 1976 when Jimmy Carter became President, our trade with the European Economic Community was about even in imports and exports. Today we have a \$20.6 billion surplus.

Inflation is on everyone's mind, and there are no easy answers even from two-handed economists. I personally think that our inflation is tied closely to the price of oil, and as I mentioned, when we attain self-sufficiency we will become more stable.

This will calm down our soaring interest rates. Reduced interest rates will encourage home building which is so crucial to our overall prosperity.

If the predictions of economists are correct, we can look forward to a drop in the inflation rate. They predict that it will be down to 6 percent in December and during the winter drop to an annual rate of 5 percent. This is still too high, but it is a good sign.

Another positive sign is an increase in employment. There were 459,000 new jobs in July, and the increase continued in August.

Moreover, orders received by factories all over the United States rose almost 6 percent in July, the largest increase in almost a decade.

In August, the construction of new houses rose 12 percent over July. The cost of mortgages is back down from the dangerous heights of 16 percent that we experienced several months ago.

I do not want ^{you} to think that I am trying to mislead you by painting an overly optimistic picture of our economy. There will be tough days ahead. But I do think that we are making significant progress in solving some of our economic problems.

A year ago there was little of a positive note to report on the energy front. As I have mentioned earlier, today there is a great deal to be proud of. And while I am on the subject, let me mention that on Monday I will be at the dedication of a plant in Creedmore that produces ethanol. This company, Agrihol, Incorporated, was started by four farmers in Granville County. Their plant will start off producing 350,000 gallons per year, but they predict that by the end of the year the production will be up to 1.2 million gallons a year. This is the first such plant in our state, and one of the first in the nation.

Thus, for highway users and for all Americans, our future looks much better than it did a year ago. We have taken steps on the local level, on the state level, and on the National level to fight back. We are today witnessing the culmination of many policies. And best of all, we are finding that our independent spirit is thriving.

Our forefathers won this continent from the wilderness. They constructed a viable economy and fought for their independence to run it as they pleased. We have endured wars and depressions, but we have always surmounted our problems. And our spirit will continue to give us the necessary pride and toughness to prevail over every crisis.