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Moakley, Rosenthal Interview Transcript (MS100/09.01#25)

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Recording Overview: Representative Joe Moakley and Representative Benjamin Rosenthal discuss U.S. energy policy and consumer protection in the wake of the 1973 oil crisis. They discuss proposed legislation and new developments in the regulation of the energy industry, including a ban on windfall profits. The discussion was recorded as an episode of a radio show featuring Congressman Moakley and other members of Congress.

Transcript Begins

REPRESENTATIVE JOE MOKALEY: My guest today is a man that has rightfully won the reputation of being a defender of the consumer and the public. Now in his seventh term as a Congressman, Rep. Benjamin Rosenthal of New York serves on the Foreign Affairs Committee as chairman of the Subcommittee on Europe, and is also a member of the Government Operations Committee. Congressman Rosenthal has been leading the fight in Congress to ensure adequate consumer representation on each and every industry advisory committee that is established by the Federal Energy Administration. The Congress is expected to take up the measure shortly. Ben, it's very nice having you on the show today.

REPRESENTATIVE BENJAMIN ROSENTHAL: Thank you very much, Joe. I'm delighted to be here.

MOAKLEY: Of course, you and I have co-sponsored many consumer bills, but I really do have to admire your tenacity and your hard work on trying to get the windfall profits out of the Oil



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Bill. But you know one of the amendments that you proposed to put on the Federal Energy Administration Bill would place consumer representatives on the Government Industry Advisory Committees. Why did you feel that this is so important? And what would the role of the Advisory Committee be?

ROSENTHAL: Joe, this has been an extension of a problem we've lived with for many years. There are advisory committees to every agency and every board. They usually, if not always, are dominated by industry or business representatives. And thus, they know what's going on in the agency. They have input. They're aware of agency decisions. They affect agency policies. And consumers have no input, accomplish nothing. And frequently, the consumers thus are at the mercy of the agencies.

In the new Federal Energy Administration, they have in the legislation the House is considering, they have approved about six or seven advisory boards. And six out of seven of them are totally dominated by the industry, and one has some consumer representation on it. It's my view that all of these boards should at least have a consumer at the minimum, a consumer representative. Not that I expect anything surreptitious to happen. But that the individual consumer representatives can have an input that the boards know that they can be challenged in the public. One of the things we have to break out of are these secret meetings held in the darkness of the night in which agency decisions are made. And the way to prevent that from happening is to have consumer representation on every facet of the government operation here in Washington.

MOAKLEY: I feel very much like you do. I feel many times that the regulatory agency in effect is being regulated by the industry that the agency is supposed to regulate, because they are all people taking leave of absence from those industries. And after they serve their term on the board, they go back probably to double or treble the salaries.



ROSENTHAL: Well, you're absolutely right. The most notorious offender is the Food and Drug Administration, which really has an incestuous relationship with the drug industry. The Interstate Commerce Commission, all the rest of the follow the pattern that you've suggested.

MOAKLEY: Representative Rosenthal, one of the key points of your amendment would be that it would roll back the cost of domestic petroleum and petroleum product prices to the November 1973 levels when the cost, of course, to the consumers was substantially lower. Would you go into this in detail for our listening audience?

ROSENTHAL: This is an amendment, frankly, I think, stands a reasonable chance of passing. I myself think windfall profits is important, that we should recapture windfall profits. But I think most important is a roll back which will have a direct bearing on what consumers pay. Now, this amendment of ours would regulate both old crude oil and new crude oil. Old crude is that which was produced at or below '72 levels and thus controlled by the Cost of Living Council. And it is presently selling for \$5.25 a barrel. As of November 1973, we're selling for \$4.25. New crude oil, which is about twenty, twenty-five percent of the total as of January it was selling for \$10.35 a barrel and of November 1, 1973, when we want to roll it back to is \$5.50.

Now, we know that prices have increased in the world community for oil. But there isn't any reason in the world why American produced crude oil should in a period from November to January go from \$5.50 to \$10.35. And what we want to do is roll it back so that the consumers aren't at the mercy of these large, international-oriented oil companies.

MOAKLEY: So, actually, I would think that a roll back would be more advantageous to the consumer than it would be the tax on windfall products?

ROSENTHAL: There's no question about it. It will be a direct effect.



MOAKLEY: Ben, as you well know, one of the biggest problems we in Congress face is that when we're talking about the oil reserves and how much oil is here and what price they pay, the only people that have any access to the energy data and all the figures are the oil companies themselves. And we in the federal government have to rely on these figures. And it makes it pretty difficult when we go out to talk to people and try to explain why they're paying thus and thus for oil or how much reserves Exxon has on tap or Sun Oil or Amoco. What would your amendments do in this regard as far as opening the data to the committees and to the federal government?

ROSENTHAL: Well, going back a step, you're absolutely correct that we don't have an energy policy in the United States. And one of the reasons we don't have an energy policy is that no one anywhere, even private industry or the government has a legitimate, honest, accurate, factual inventory of what our resources are. As a matter of fact, some people have suggested, Ralph Nader for one has suggested we have a crisis but not a shortage. We have in the United States today more oil, more gasoline than we had a year ago today. We have a mal-distribution system. We have, as you well know, a lack of refineries. We had problems, particularly as you well know, in New England with the limitation on the importation of foreign oil.

But the one single most important deficiency we've had across the board is a lack of adequate information. And what we want now via this amendment is to have the controller general, which is the General Accounting Office, be permitted to go into the oil companies themselves, make his assessment and tabulation of what the stocks and inventories are, and report to the Congress what they are. We want to have an independent, legitimate, believable, credible arm of the government tell us what the total inventories are. And that's, I think, probably the most important thing we can accomplish in finally deciding where we're going in the redistribution of our petroleum resources.

MOAKLEY: It makes me shudder a little bit when we get figures something like out of the twenty major, oil companies, they control ninety-four percent of the reserves, eighty-six percent



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of the refining capacity and seventy-nine percent of the retail sales, which shows that they've almost got a monopolistic grip on the fuel situation. I just don't think that that is a healthy thing for the United States of America.

ROSENTHAL: Well, you're quite correct again. It's very unhealthy. What makes it even worse is of the twelve to twenty major oil companies, if you take a look at their boards of directors and their stockholders, they're controlled by about five or six banks, all of which are housed in my city of New York, the Morgan Guaranty, the First National City, the Chase Manhattan Bank. They control these companies. And it's not only the control by a hundred. It probably gets down to the control by ten to twenty. And they in fact, they not only control the oil reserves, they control coal mining production resources. They control natural gas resources. They control leaseholds now on shale, which is federal government owned property. They even bought into the ownership of atomic energy producing electrical productivity by way of atomic energy.

And so, when we get past this immediate crisis, if it is a crisis, we're going to have to look long and hard at the anti-trust aspects of what we're doing. As a matter of fact, presently, the Federal Trade Commission has an anti-trust proceeding against twelve of the major oil companies to break them up. And four of the largest among the twelve are all offshoots of Standard Oil of New Jersey, Exxon, Standard Oil of Indiana, Standard Oil of Ohio and one other, and the narrow base that controls the resources of this country of 210 million people.

If you want to go a little further, it's my thought, frankly, that at some point and time we're going to have to have the government, as unpleasant as this may sound, get into the question of exploration and geological exploration and digging for oil. Because what we now have are these oil companies not only doing the digging, the distribution, the wholesaling and the retailing, they control it all the way.

MOAKLEY: Of course, there's a bill file. I'm on it. You're probably on it too, the Oil Divestiture Bill which would break up the four phases, because it's a vertically integrated



system. They have it completely from the ground to the gas tank. And this again is unhealthy. Also I don't know if you're on this one, Ben, the Federal Gas and Power Corporation which would act as a TVA [Tennessee Valley Authority] authority that would allow the federal government to get into the oil drilling and exploration and transporting and marketing, this would be done on public lands. It would serve a two-fold purpose. First of all, it wouldn't be a profit motive so we could amass reserves of oil regardless of what the market said at that time. And also, it would give the federal government a firsthand look into exactly what it does cost to explore, what it does cost to drill, what it does cost to market and transport.

ROSENTHAL: I think the underlying philosophical point of view that I'd like to base my view on is that the natural resources of the United States belong to the people of the United States and not to any special group that's motivated by profit. The resources of the offshore oil, the resources of shale, the resources of our water, the resources of the tide, the resources of wind belong to the people. And it's the harnessing of those resources that really is the responsibility of the government. Many people say government really doesn't do a good job. And far be it for me to defend some of the things that have happened. But certainly, in the area of the production of energy by the Tennessee Valley Authority, they have reduced the price and they're doing a pretty good job.

MOAKLEY: And they have put some competition to it. Because competition is a word that lacks any action as far as it refers to the oil company competing. They put their prices out, but I don't know how active the competition is between the major oil companies, because the prices are pretty well standard in all phases of the operation.

Ben, I know that you are a very strong proponent of the ban on windfall profits by the oil companies at the expense of the American consumer. Last week, the Senate defeated the energy bill that contained the provision. But many House members have insisted on this ban on excessive profits by oil companies, while each of us is paying more for the petroleum products. Do you anticipate an energy bill coming out that would not contain such a ban?



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ROSENTHAL: I just moments ago left a meeting with Chairman Staggers.

MOAKLEY: Were you on the conference committee?

ROSENTHAL: No, I'm not. I'm not even on the Interstate Committee. But it was a meeting of the regional WHIPS. And I have a feeling that it may be that he is going to agree to take the windfall profit section out to permit that bill to be passed on the assurance by the Ways and Means Committee that they will proceed in their area of jurisdiction to enact the windfall profits.

MOAKLEY: Yes. But I feel that if the windfall profits isn't part of the bill, that the windfall profits bill will never be passed, because I think--

ROSENTHAL: That may well be.

MOAKLEY: If it's not all in the same package, I think that we're dealing from a position of weakness rather than strength. I think the only way that we probably can be sure that the windfall profits ban has a good chance is to have it on the energy bill itself.

ROSENTHAL: I think you're absolutely right. I'm merely repeating what Staggers told me. And maybe he has some further explanation of it. I don't know.

MOAKLEY: Congressman Rosenthal, there has been a lot of discussion on whether the Legislative Branch should give some of the sweeping power to the Executive Agency that are contained in this bill. What is your feeling on that?

ROSENTHAL: Well, I have dual feelings on the subject, I guess a little bit like you do. Recognizing the reality of what the power situation here is in Washington, the President does have certain disabilities in dealing with the Congress and certain other disabilities in dealing with



the country. So, there is some hesitancy and reluctance to give the Executive Branch the kind of vast sweeping new powers that we've given in both the Energy Bill and the Emergency Energy Act. On the other hand, I think we really have to take advantage of the crisis moment to set up an organization and structure that will work the way we want it to work. And the only way to make that effective or efficacious is to give strong powers to direct the oil companies to produce their inventories, power to roll back prices, power to control sources, power to change even the transportation system if necessary, because the Interstate Commerce Commission has done a terribly poor job.

So, I think on balance I come out in favor of giving the power, but under the mandate of Congress, that Congress should direct how these policies should be carried out within the framework that we've established. I see the problems and the frailties of the situation, but I don't think we have any choice.

MOAKLEY: Well, I think you're right. And I think also you touched upon it. I think that maybe this is the time-- and I know you've been a great fighter-- for mass transit. Maybe this is the time that we can get mass transit off the drawing board. The President in his message said that he is interested in mass transit. Well, I hope he changed his tune, because, you know, up to now--

ROSENTHAL: He is ready to veto the bill.

MOAKLEY: Up to now, all the Administration has ever done is veto every Mass. Transit bill that came before them. So, I think that this would be a good thing for New York and also in Massachusetts, if some kind of mass transit bill would get through. I think what the energy crisis has said to us is we've got to change our lifestyle a little bit. We just can't go on consuming all the gasoline we want, that it's not finite, that we're just six percent of the population consuming over forty percent of the natural resources and this has to stop.



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Thank you very much. My guest today has been Congressman Ben Rosenthal, who if you had to point to one member in Congress and say he's really fighting for the consumer, I think you'd have to give that award to Congressman Ben Rosenthal of New York. Thank you very much for being on the show today.

END OF INTERVIEW