THE ACCIDENTAL PRESIDENT

by Robert Sherrill

more on this!!!

buy our gas. The benefit from the cheap oil stays in the pockets of the importer. It is a bonanza. Oil importation is now 2.5 million barrels a day. That's nine hundred million barrels a year. The annual profit—to the importers, not the consumers—is between a billion and a billion and a half dollars.

Surely, you say, there must be some way to let the average taxpayer benefit from the cheap oil. Yes, there is a way. In fact it was being proposed in 1958, at the time the present quota system was agreed on in its place. The other proposal would have provided that the Interior Department first figure out how much oil it wanted to allow to be imported, then put import quotas up for competitive bidding—with the proceeds to go to the U.S. Treasury. In addition to benefiting the treasury it would have given every oil company in the country, large or small, a shot at the quotas.

Johnson, Anderson, and Kerr went to work and squelched that, persuading Congress to leave the whole thing up to the President (and his advisers) to determine.

Early the next year Eisenhower imposed the program they wanted. Under the formula still operating, companies that import oil are supposed to have refinery facilities—a requirement which knocks out all but one hundred and fifty oil companies and "sets it up" for the very largest. However, beyond that, their import quotas are linked to the amount of domestic production and domestic refining they do—so the largest companies get bigger. Twenty oil giants bring in 85 per cent of the foreign oil.

There was never any evidence that Johnson personally benefited from the program he helped shape. But there was trouble ahead. The smaller companies, the traditional wildcatters, were being ruined by the competition from the imported oil. While the big companies prospered as never before, the smaller companies were going out of business. In the first five years of the oil import program, thousands of wells were shut down in this country, thousands of oil field workers were thrown out of jobs.

He may have really sympathized, and on the other hand he may have been making campaign talk only, but on numerous occasions in 1960 Kennedy had said the kind of thing the independent oil men wanted to hear. In Wichita Falls that presidential year Kennedy commented, "Here in this old community, Sam Gray, who sells shoes—from 1955 to 1960 he sold 60 pairs of oil safety shoes a month.

Do you know how many he sold last month? Two. Eight days an oil well works in the state of Texas. Eight years ago it was twenty days."

By 1962 President Kennedy was making what the oil industry, especially the major companies, must have viewed as ominous signs of imminent reform. On July 12, 1961, a Treasury Department official acknowledged that "it is no secret that we are collecting financial data on percentage depletion in the oil and gas industry, and that we are considering this issue in connection with tax reform." This meant the 27.5 per cent oil depletion allowance, the industry's most treasured piece of governmental favoritism, might be reduced or abolished altogether. By May of 1963, Attorney General Robert Kennedy was talking openly of "an apparent tendency toward concentration in this industry" and the need for an antitrust probe. A cabinet-level Petroleum Study Committee, after noting dangerous implications in the oil import program, suggested radical changes which many industry observers believed would certainly be put into operation by January 1, 1964, when a new import quota period was scheduled to begin.

Meanwhile, in Texas, minor politicians, representing the smaller oil operators who were in troubled straits, were preparing a last-ditch effort to get fast action out of Kennedy. State Senator Charles Herring, one of three Texas senators who had attended the 1963 World Petroleum Congress, returned to write a furious report setting forth the Texas independent oil man's troubles in competing with the import programs dominated by the international giants. It was a thirty-six-page report spelling it all out: how the program came into existence, who was profiting, who was being put out of business. Herring and other representatives of the independents obtained a firm commitment that when Kennedy reached Austin on November 22, the report would be put in his hands along with a confidential letter from Herring which talked of the import program's having the "potential for scandal . . . perhaps dwarfing the Teapot Dome scandal of yesteryear" and of how

> . . . it now seems impossible to overlook certain aspects of the program which seem peculiarly conducive to inferences of political scandal. I refer, for example, to the multiple ill-defined bases on which companies may qualify for import quotas, to the variations and exceptions within these formulas—and in general to the

arbitrary and foolish manner in which oil import allocations . . . worth perhaps $1 million per day are passed out by federal officials who so far have not been required to explain their decisions. Charges have been made, and never challenged, that import quota tickets are "sold" in violation of the import [illegible]. Indeed, quota tickets are apparently awarded some nonimporting companies which enter into undisguised paper "exchange" transactions with leading importers for no purpose except to award these subsidies through the import program. Etc.

In short, subsidies for [illegible]. [illegible]

It is absurd to suppose that Kennedy, who was anything but a talented manipulator in Congress, could have taken away the oil depletion allowance. But this form of favoritism is not at all popular with many Congressmen, and it is not unthinkable that he might have trimmed the allowance, say down to 25 per cent.* Once shaken, the allowance would never again be secure, as it has been for more than a generation. And think what even a 2.5 per cent reduction in the present allowance would have meant to the Treasury. Suppose further that Kennedy might have been able to [illegible] some adjustments, even [illegible], in the depletion allowances under which foreign oil companies [illegible] in this country, [illegible] allowances which now permit some of these billion-dollar companies to escape any U.S. taxation whatsoever. Suppose also—which is the most likely possibility of all—that he had decided to adopt the quota-auction system, with the proceeds going to the U.S. Treasury. This was a proposal under consideration at the time of his death. Put all of these possibilities together, and it adds up to several billions of dollars that the government is now missing.

If any relief was felt within the oil industry at Kennedy's assassination, it was not felt in vain. Five days after the assassination, Senator [illegible] [illegible] Johnson at the White House, "Powerful forces doubtless are seeking to utilize the present period of transition to delay further the overdue shake-up in the oil import control system." Whether or not it was due to "powerful forces,"

* Senator Proxmire got 31 votes (against 5?) on a proposal to cut the depletion allowance for the big operators to 15 per cent.

the delay certainly did occur, and does to the present time.

Under President Johnson the situation has steadily worsened. With a great show of playing fair, of keeping his hands out of it because he was from an oil state, Johnson ordained that the import program would be left strictly up to Interior Secretary Udall. Ominously, the American Petroleum Institute, chief lobbying agent for the oil industry, hailed the transfer of authority as "entirely logical," and the *Oil & Gas Journal*, official organ of the industry, reported that "industry spokesmen were quick to voice approval of President Johnson, pointing out that he has placed authority in the hands of government officers who know most about oil."

To this group of knowing officers was added, within a few weeks, another—or almost. The appointment of Joe T. Dickerson to be head of the Interior Department's office of Oil and Gas was sent to the Senate for confirmation, but the Senate gagged and could not go through with it. It would have been Dickerson's job to "police" the oil industry. Some cop. A former vice-president of Shell Oil Company, Dickerson was receiving a $20,000 yearly pension from Shell, given with the written provision that he do nothing to hurt his former employers. He has also been a paid lobbyist for the Mid-Continent Oil and Gas Association, whose membership includes Humble, Gulf, Phillips, Shell, Socony, Standard of Indiana, Texaco and the like.

This was Johnson's first oil-oriented appointment, and it was blocked only after a great outcry, led by Senator Proxmire, who likened it to "putting the foxes in charge of the henhouse." The foxes, unfortunately, were already in charge. Udall does not make an appointment touching on oil matters without first checking with the National Petroleum Council.

The controversial oil import program, which Kennedy had been depended on to tighten up, has under Johnson become even looser. Restrictions on the importation of residual fuel oil have been eliminated almost altogether. In his first year a franchise was granted Phillips Petroleum Company to build a refinery in Puerto Rico which was to send an additional 25,000 barrels daily to the U.S. market, despite the fact that the oil import program as originally written states that Puerto Rican oil refining can be increased only if the products are consumed locally or sent to a foreign country. This was a $25,000 a day windfall for Phillips. Johnson said the decision was out of his hands, but