Click here for Full Issue of EIR Volume 4, Number 16, April 19, 1977

OPEC nations. Consequently, the risk of disruption of the international financial system would be greatly reduced...

... Particularly in the years immediately ahead it is vital that the members of OPEC recognize that their economic and political future cannot be divorced from that of the rest of the world. Besides practicing forbearance with regard to the price of oil, it would be very helpful if they made larger grants of assistance to the less developed countries and also expanded the volume of loans and investments made directly abroad...

... Let me conclude by sketching or restating the responsibilities, as I see them, of the major participants in the international financial system:

First, in order to contribute to a more stable international system, the IMF must act with new assertiveness in monitoring the economic policies of its members...

Second, national governments must encourage and support the IMF, so that it can become an effective guardian of evolving law in the international monetary sphere...

Third, a better framework of knowledge for evaluating the creditworthiness of individual countries is badly needed...

Fourth, commercial and investment bankers need to monitor their foreign lending with great care, and bank examiners need to be alert to excessive concentration of loans in individual countries.

Fifth, protectionist policies need to be shunned by all countries.

Sixth, countries with persistent payments deficits need to adopt effective domestic stabilization policies.

Seventh, non-OPEC countries experiencing large and persistent payments surpluses also need to adjust their economic policies and they can probably best do so by allowing some appreciation of their exchange rates.

Eighth, all countries, and especially the United States, need to adopt stringent oil conservation policies and, wherever possible, speed the development of new energy sources.

Ninth, the members of OPEC must avoid a new round of oil-price increases. They also need to play an increasingly constructive role in assisting the less developed countries and in the evolution of the international financial system...

Excerpts From Draft Of Carter's Energy Program

The following excerpts are taken from the April 13 Wall Street Journal *account of a draft of the Carter Administration's energy program which will be officially unveiled April 20:*

The President is expected to announce next Wednesday a surprisingly tough plan containing major legislative requests along these lines:

* An initial increase of five cents a gallon in the current four-cents-a-gallon federal gasoline tax. The increase... could amount to 50 cents within 10 years...

* A new tax on auto manufacturers as a penalty for producing cars using too much gas. This so-called "gas guzzler" tax would start at $412 a car for the least efficient autos. Eventually, the tax could go as high as $2,500 a car.

* A tax of several dollars a barrel on domestically produced crude oil, resulting in an increase of about 10 percent in consumer prices of gasoline. Thus, consumers would be hit twice — being forced to pay both a higher retail price and higher tax.

* An increase in natural-gas prices through a rise in the federal price-control ceiling on gas and a tax on the industrial use of gas. These measures would be aimed at encouraging industry to use coal...

Here, from that document (the Administration's draft program —ed.), are the ingredients of the energy plan as it now stands:

Gasoline Taxes: A tax increase of five cents a gallon would take effect automatically each year in which gasoline consumption rose by 1 percent or more from the level during a base period extending from last Oct. 1 to next Sept. 30...

Starting in 1981, every year consumption doesn't decline by 2 percent from the base period level, there would be imposed another five-cent increase. The maximum possible tax rise under the plan would be 50 cents a gallon — a level that most economists think would be reached if the plan becomes law....

Gas-Guzzler Tax: The plan proposes the imposition of taxes on inefficient cars and accompanying rebates for efficient autos. These would be applied to auto manufacturers but presumably would be reflected in auto prices....

Initially, this tax would range up to $412 (on the few cars that get 10 miles a gallon or less), and the rebate would range up to $322 (on cars that get 39 miles a gallon or more). By 1985, the maximum tax would be $2,500, and the maximum rebate would be $500.

No manufacturer could make money from these arrangements, however, because the rebate to each maker for its efficient cars couldn't exceed the taxes collected from that company on its "gas guzzlers"....

Crude Oil: A stiff tax would be imposed in stages on wellhead prices of domestically produced crude oil. In addition, certain newly discovered oil, whose prices is controlled by the government, would be allowed, beginning in 1979, to rise to stimulate more exploration and production....

Natural Gas: The existing federally controlled price ceiling of newly discovered gas, which is $1.44 per thousand cubic feet, would be raised to $1.75 a thousand cubic feet. These are the prices producers charge to their pipeline customers....

The proposal would also give the Secretary of the Energy Department, which President Carter wants to create, the authority to set higher price levels for gas that is especially hard to find or produce.

In addition, the plan calls for a tax penalty for industrial users of natural gas (except fertilizer

© 1977 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.

manufacturers and certain agricultural users for whom it is essential) as a way to get them to switch to coal. Beginning in 1979, all industrial users of gas would be taxed at a level keyed to the price of distillate oil. The tax would start at about 85 cents per thousand cubic feet.

That would result in an average gas price to industries of $3.05 per thousand cubic feet, compared with an average $2.20 per thousand cubic feet without the tax. The tax would change slightly each year depending on the price of distillate oil.

A similar tax on utilities that burn gas would be phased in slowly. Under the plan, it would be 1988 before this gas tax rose to the point at which prices paid by utilities would equal the price of distillate oil. The later date for utilities is because of long lead times they need to convert to coal use.

Coal: To encourage more use of coal and less of oil and natural gas, the plan would prohibit newly constructed utility plants and new factory boilers from burning oil or gas. Existing plants that have coal-burning capability would also be prohibited from burning oil or gas. By 1990, no utilities, including existing power plants, will be allowed to burn natural gas.

Besides the tax on industrial users of natural gas, the industrial use of oil would be taxed, beginning in 1979, at $1.20 per barrel and rising to $2.70 a barrel in 1985. Utility use of oil would be taxed beginning in 1983, at $1.50 a barrel. These taxes would be in addition to the other crude-oil taxes proposed....

The plan calls for continuing current strict pollution-control standards related to coal burning. Industry had hoped for a relaxation....

Electricity Rates: Two years after enactment of the legislation, each state utility commission would have to adopt policies to restructure electricity rates....Utilities would have to give customers a cheaper rate for electricity used during low-demand periods of the day. Separate rates would have to be offered by both gas and electric utilities for summer and winter energy use.

Insulation: The plan contains two devices aimed at getting homeowners to add insulation and other energy-saving measures to their homes. A tax credit would be allowed for installation of insulation, as well as such things as timed thermostats and storm windows....

In addition, legislation would require all electric and gas utilities to offer the public a home-energy conservation program....Utilities declining to participate would be penalized by restrictions on their rates.

The plan also would require banks, savings and loans associations, credit unions and utilities to lend homeowners money for conservation improvements....

'Most Bitter Legislative Battle In Decades' Shapes Up Against Carter Energy Program

Jimmy Carter will take his domestic program to slash U.S. energy consumption by 30 percent "to the people" in a series of national television broadcasts beginning April 20. The leading East Coast press such as the New York Times *and the* Washington Post *have proclaimed that "the people" will rally around the "wartime" sacrifices Carter and his energy czar James Schlesinger intend to impose.*

Nevertheless, this week in a front page article, even the New York Times, *which is staunchly behind Mr. Carter, was forced to admit that "President Carter's energy program is likely to lead to one of the most bitter legislative battles in decades." The* Times *based its prediction on interviews with influential members of Congress and knowledgeable staff members who forsee a situation in which a U.S. President will be resoundingly rebuffed by a Congress controlled by his own party.*

All knowledgeable Capitol Hill sources agree on one basic point: the degree to which Congress will fight is 100 percent dependent upon pressures generated by constituency forces, especially labor and industry. "Congress brought down a President (Nixon — ed.) for the wrong reasons. If Congress feels it has the bulk of the population behind it, Congress can bring Jimmy Carter down for the right reasons," said one aide to a Southern conservative Congressman. The Executive Intelligence Review *has compiled the following summary overview report on the status of the population's* active *opposition to James Schlesinger's declaration of the "moral equivalent to war" against the United States.*

Labor: Strikes For Energy

Within the last ten days, key unions — the United Steelworkers of America, building trades, and the International Brotherhood of Teamsters, the largest union in the country — have transformed their mere opposition to Carter's energy program into active organizing for a competent energy policy aimed at fostering worldwide economic growth.

The top levels of the national leadership of these unions are now in debate on whether to come out publicly in support of the pro-nuclear energy program of the Fusion Energy Foundation (FEF) as well as whether to organize for the April 29 national conference in Pittsburgh on national energy policy sponsored by the FEF and the Three Rivers Coalition of industry. Over the past few days, at least a dozen trade-union locals — particularly the building trades throughout Michigan and the Bridgeport, Conn. Plumber and Pipefitters Union —