sufficient gas liftings to keep the country's gas-powered electricity grid going. Kuwait has begun to engage in a number of joint ventures with foreign partners in downstream production to assure the Persian Gulf Emirate of future markets. Over the last three months, two such deals have been signed to build refineries with Romania and Indonesia.

Iran, whose production has fallen dramatically from over 6 mbd to 4.5 mbd continues to sign a number of barter deals which undercut the going price of crude.the most recent being with the Texas firm Brown and Root for the construction of a large naval base on the Gulf of Oman in return for 100,000 barrels a day.

Such arrangements by the producers, however, are bandaid solutions to a serious assault against them which threatens to destroy OPEC.

— Judy Wyer

Schlesinger Sets Stage For Replay Of Natural Gas Emergency

Speaking at a press conference in Washington Sept. 14, Energy Secretary James Schlesinger confidently told reporters there will be no repeat of last winter's nationwide natural gas shortage which forced emergency shutdown of major portions of U.S. industry for up to three months in some cases.

There is a catch. Under sustained questioning, Schlesinger was forced to admit that the Administration's confidence is premised on their "gamble" that the coming winter will be a mild one. The government has taken no steps since last winter to ensure expanded production of natural gas for the interstate market. Schlesinger was forced to admit that in the event of another severe winter, emergency shutdown of major U.S. industry, rationing, school closings, and possible cutoffs of heating in certain residential areas would be the only possible response. In fact, such an emergency shutdown is the actual intent of the new Energy Secretary from all evidence available at this point.

Already Schlesinger has created a crisis management office, headed by Assistant Secretary David Bardin, and called WEEP, Winter Energy Emergency Project. Under the sweeping emergency powers given Schlesinger's new office, including military control over the entire U.S. economy and emergency powers to deploy units of the U.S. Armed Forces, the stage is set. If the Senate passes the National Energy Act now being thrashed out in the Senate Finance Committee and the full Senate, Schlesinger's office will have unheard of control over national allocation and production of energy. Who controls this power is a paramount political question determining the future of U.S. and international political and industrial development.

Last winter was the test run of this operation to militarize the U.S. economy using the lever of "choke-point" shutdown of critical industries in the context of the most severe winter in recent history. At that time, Schlesinger, who was then special White House Energy Advisor, orchestrated a massive psychological conditioning campaign through various news media to pit the "energy abundant" southwest states, primarily natural gas producers Texas, Oklahoma and Louisiana, against the "energy starved" Midwest and Northeast industrial states. The line was that the gas-producing states withheld their natural gas from the federally regulated interstate market in order to sell it on the unregulated intrastate market, where they could get as much as $2.00 per million cubic feet (mcf). The current interstate price ceiling is $1.46 per mcf.

The aim of this scenario, in addition to using energy to force a shutdown of major portions of basic U.S. industry, is an all-out mopping up operation of the not insignificant independent petroleum and natural gas industry interests which strongly oppose any attempted deindustrialization.

A Friend At Chase

Since the early years of the Kennedy Administration, it has been the so-called Chase Bank Group, the Rockeefeller family institutions directly linked with Exxon and key Arab Gulf oil interests such as Aramco, that have waged a concerted attack to reduce domestic oil production in the U.S. This same group of Manhattan financiers has recently been the primary sponsors of federal regulation fo gas and oil domestically. The net effect of such federal price control and punitive taxation on production has been that total drilling in the United States has declined by more than 50 percent since 1957. These measures hit the independents hardest because they are responsible for 85 percent of all domestic oil exploration' the Chase Bank Group depends primarily on their foreign-fed oil reserves.

The version of Carter's National Energy Act now before the Senate would extend federal price controls on natural gas to the intrastate market for the first time and further drive up the price paid by all consumers through imposition of well-head taxes. The tax proceeds would not go to exploration of more natural gas and other energy resources, but to prop up the U.S. Treasury as part of the largest single tax legislation ever imposed on the U.S. economy.

It is not surprising that the domestic oil and gas industry is howling in protest, demanding an end to price regulation and tax disincentives to production. Oklahoma Governor Boren, testifying on behalf of the Southern and Midwest governors' conferences, told the Senate Finance Committee earlier this week that the Carter energy bill could only be understood as a willful attempt by the Administration to dismantle the U.S. petroleum industry the same way that steel, textile and other major sectors of industry have been destroyed in recent years. The only other possible interpretation of the Carter energy strategy, Baron stated, is a desire to have the U.S. sit on its domestic oil and gas reserves for the next 20 years as a "conservation" move to save energy. This rationale, which Carter reportedly attempted to sell to Boren and other Southwest spokesmen privately, will mean destruction of U.S. leadership in petroleum technology and force engineers, geologists and related sectors to go elsewhere, Boren told the Senators.

Boren and others are just beginning to realize that Carter was deadly serious last April, when he labeled his national energy policy "the moral equivalent of war." The enemy is not foreign oil, but precisely those sectors of U.S. industry and energy production that they themselves represent. Even in the absence of full congressional approval of the National Energy Act, representatives of the Federal Energy Administration have visited such states as Oklahoma, forcing them to turn their backs on "scarce" natural gas and oil-generated electricity in favor of coal, a move which is grossly uneconomic from any standpoint. The only conceivable motivation of such high-handed maneuvering lies in the substantial coal-related holdings of the Chase Bank Group.

The understandable response of the domestic oil and natural gas industry has been a gut reaction to urge an end to all federal regulation, based on the notion that only in that way would the industry be able to generate sufficient profit margins for capital formation and thus to underwrite new explorations. The response is totally inadequate and only plays into the hands of the Carter Administration in painting the independent energy sector as preoccupied with their own greedy parochial interests.

Deregulation does not even begin to address the critical question of what the U.S. economy *must* look like 10-20 years hence. The only effective means of combatting Carter and the Chase Bank Group's energy austerity is through the elaboration of a national policy of industrial technological development, which endorses a full-scale nuclear development program leading toward a fusion-based economy, as its primary feature. Such a perspective would quickly attract widespread support from all U.S. basic industry, advanced technology sectors, and the population itself. Deregulation will never accomplish that feat.

—W. Engdahl

A Capsule History Of Federal Oil and Gas Regulation

Under a series of legislative acts sponsored by Congressmen linked variously with the Rockefeller Chase Manhattan group, domestic independent oil and gas producers have been increasingly taxed and price-squeezed, while Chase-connected oil giants like Exxon have substantially increased their domination of production through control of OPEC oil and gas resources and marketing. For a full analysis of this see Executive Intelligence Review, *Vol. IV, No. 6.*

1. Oct. 9, 1969: percentage oil depletion allowance cut from 27.5 percent to 22 percent.
2. March 29, 1975: Congress enacts Tax Reduction Act of 1975, which substantially repeals depletion allowance for about 5 percent of domestic oil and gas while leaving this tax depletion policy intact for some 100 other extractive industries.
3. February 1, 1976: government rollback of approximately $1.50 a barrel in the price of new domestic crude oil.
4. Sept. 16, 1976: Congress enacts Tax Reform Act of 1976, which retroactively imposes a punitive tax on expenditures — not income — of independent oil and gas producers.
5. July 1, 1976: government imposes price freeze on all domestic crude oil.
6. Dec. 31, 1976: price of new domestic crude oil is rolled back a further 20 cents per barrel and price freze on cold crude is continued.
7. Feb. 1, 1977: imposition of retroactive doubling of rental fees on most oil and gas leases on federal onshore lands.
8. March 1, 1977: rollback in U.S. crude oil of 45 cents per barrel on new oil.
9. Aug. 1, 1977: continuation of freeze and rollback on U.S. crude oil prices.

The Carter Administration National Energy Act, passed substantially intact by the House of Representatives as H.R. 0444, and now under Senate debate, would further rollback and control intrastate natural gas prices for the first time.