

floating plant technology, to give a three-year delay in delivery of the four nuclear units, which were first contracted by the utility in 1972 and 1973.

A spokesman for Westinghouse told EIR that the postponement is a serious blow to the industry especially because a number of other utilities had been waiting to see whether PSE and G gets licensing approval from the federal government before deciding to develop similar plants.

The design innovations in floating nuclear plants promise to revolutionize the considerable time and thus costs of construction of nuclear power plants. They allow fast expansion of needed world nuclear power plant construction by permitting for the first time standardization and mass production of plants that can then be floated to final sites.

The decision comes at a critical time for development of the nuclear manufacturing complex at Jacksonville, Fla. and may force layoffs of as many as half of the 700 man team there.

The background to PSE and G's decision is directly political despite the fact that for "diplomatic" reasons Smith chose to highlight future demand and economic reasons as the cause for the delay. The previous month, during the November New Jersey gubernatorial election campaign, Gov. Brendan Byrne and his hand-picked new State Energy Commissioner, former United Auto Workers official and Ford Foundation fellow, Joel Jacobson, "recommended" to the State Public Utility Commission that PSE and G not be allowed to finance construction of the offshore nuclear facility, known as Atlantic-1, through consumer rate charges but only through internal financing, almost impossible on today's troubled credit markets.

Byrne himself has been active in the negotiations to dismantle industry across the Northeast through the Energy Corporation of the Northeast (ENCONO) of Felix Rohatyn. After making the ruling last November, Byrne gloated that this would make development of the offshore facility a virtual dead-letter.

## Energy And The Art Of Calculated Cheating

—Exclusive to the Executive Intelligence Review—

*Politics, so far as mobilizing support is concerned, represents the art of calculated cheating — or more precisely, how to cheat without being caught.*

James R. Schlesinger  
*Journal of Law and Economics, 1968*

Since the installation of the Carter Administration, with Schlesinger heading the White House energy policy and planning staff and then the Department of Energy, every key study and evaluation used to justify the Administration's National Energy Plan (NEP) has been based on changing the underlying forecasting methods, models and assumptions used to calculate the relevant quantity (supply, demand, or price). Thus, the Carter program, based on forced figures, appears rational. In addition, many studies with inconvenient conclusions have been burned.

The first major evaluation of the energy situation to come out of the Carter Administration was made public on April 20 — the day the President announced his National Energy Plan to the nation. This was the Turner CIA report on the world energy situation, which predicted that "in the absence of greatly increased energy conservation, projected world demand for oil will... substantially exceed capacity by 1985." "We are now running out of gas and oil," the report claimed, alleging that the Soviet oil industry is "in trouble, (its production) will soon peak... By the mid 1980s, the Soviet Union will become a net importer." (1) Schlesinger, according to press accounts, urged the release of the study for Carter's public relations effort.

This analysis was immediately attacked from many quarters: the Library of Congress; the UN Institute for Training and Research; the International Institute for Applied Systems Analysis; the Stanford Research Insti-

tute; the National Economic Research Associates; Shell International, and so forth, (2) as well as the U.S. Geological Survey.

The most obvious flaw of this piece of propaganda is that, in the words of Congressman Clarence Brown, it "ignores the potential for finding new reserves." In fact, contrary to all accepted practice for estimating fossil fuel supplies, this report did not consider as supplies any but already proven and tapped wells and fields.

The key man responsible for putting this report out was CIA economist Walt MacDonald. Highly placed sources who questioned MacDonald on his use of such a ridiculous forecasting model report that he told them he "was ordered to use these assumptions" — but refused to say who gave this "order".

It is useful to note what happens to the individuals involved in these frauds: MacDonald was appointed by Schlesinger to be Deputy Assistant Secretary for International Affairs at the Department of Energy. Director McKelvey of the U.S. Geological Survey which put out a competent report contradicting Turner's was summarily fired without cause. Individuals within the CIA who protested the use of the Agency to launder this fraud were purged under cover of cleaning out "excess personnel," and S. David Freeman, who had earlier published one of the few studies that gave credibility to the CIA's findings, was appointed a Commissioner of the TVA. (3)

Indeed, sources within the Agency have reported that a report reaching very different conclusions from the Turner report had been prepared, but Turner had ordered its suppression and destruction. (4)

*Wet MOPPS*

One of the key studies on natural gas the Administration has pointed to (its case being that we are running out of gas, and that raising the price will not

bring much more on line) was that done by the Market Oriented Program Planning Study Division of the Energy Research and Development Administration (ERDA) — the “MOPPS Report”. On April 1, MOPPS I concluded that there was an abundance of gas, even at a ridiculously low price — very embarrassing for Schlesinger, who was feeding Carter the line that we are running out of gas. So MOPPS was told to change its assumptions and come up with something more acceptable. MOPPS II emerged on April 6, now basing itself on the Stanford Research Institute model, a more scientific model, in fact, than that of MOPPS I, but one which produced an even worse conclusion for the Administration: that there could be an abundance of gas at a deregulated price. So the White House had ERDA scrap both these, and convene a large panel of specialists in Reston, Virginia, to produce a better report. Thus emerged, on June 3, MOPPS III. Unfortunately for the Administration, even though MOPPS III restricted its estimates to “conventional supplies,” it also determined that supply was elastic and plentiful, if the price was allowed to rise moderately. (5)

Although none of these reports aided Schlesinger’s program, it was not for lack of his trying to manipulate a favorable conclusion. In fact, it was broadly and very reliably reported that his office ordered the physical destruction of the MOPPS I and II studies (an event that was labeled “ERDA-Gate” and “Book-Burning” in the press).

But despite their problems with the credibility of the Turner oil study and the MOPPS gas analyses, throughout the spring the Administration was getting evaluations favorable to its program from the Federal Energy Administration’s Office of Energy Information and Analysis (OEIA). Unfortunately for the Administration, by law the General Accounting Office must undertake an “independent audit” of the statistics produced by OEIA. The report of the audit team was published December 5, 1977, and its conclusions are devastating for the credibility of the OEIA figures and the integrity of Schlesinger’s office:

The Executive Office of the President’s energy policy and planning staff, in developing the National Energy Plan, was able to direct changes in certain economic assumptions of the Project Independence Evaluation System (PIES) model. These assumptions altered...the forecasts of energy supply and demand made for the President’s policy and planning staff... Twenty other changes . . . were made between the PIES run for . . . November, 1976, and the PIES run for the President’s energy plan in April, 1977 . . . The energy policy and planning staff approved these changes...the increased gap between projected energy supply and demand (emphasized) the need to implement the President’s energy plan . . . OEIA’s credibility was harmed by becoming, in effect, an extension of the energy policy and planning staff, by failing to make public the results of all its forecasts, and the assumptions upon which they were based. (6)

Richard W. Kelly of the Accounting Office, who chaired the independent audit team, told this reporter that the man on the White House energy policy and planning staff who dealt with the OEIA was George R.

Hall. Mr. Kelley states that he was shown correspondence between Hall and the head of OEIA in which Hall directed the OEIA as to the forecasting assumptions they should use. George R. Hall has since been appointed by Schlesinger to the Federal Energy Regulatory Commission with DOE. (7)

#### *Halting Nuclear Construction*

At the height of the battle last spring over the future of the U.S. breeder reactor program, specifically, the Clinch River plutonium breeder project, a very convenient little report was produced — with tremendous press fanfare — cosponsored by the MITRE Corporation and the Ford Foundation. “Nuclear Power: Issues and Choices” purported to be an objective study of world uranium supplies, concluding that supplies were so abundant that we can delay the breeder option indefinitely. (8) This “independent” study was immediately embraced by Carter as his own, and, indeed, two of the most prominent members of the study were already part of the Carter team: Defense Secretary Harold Brown and Deputy Undersecretary of State Joseph Nye. The study was headed by Spurgeon M. Keeny, Jr., of the MITRE Corporation, who has since been appointed assistant head of the Arms Control and Disarmament Agency.

Despite the great use made of the Ford-MITRE report by the President and Secretary of Energy (they foisted copies on the unappreciative Japanese head of state, as well as on the American public), and the massive press play-up, the fraudulent nature of the “study” is blatant.

What became obvious in congressional hearings on the report was that the Ford-MITRE team ignored accepted forecasting methods for estimating uranium supplies and ignored the forecasts made by reputable institutions. Under questioning, they were totally unable to justify their own procedures. Congressman Mike McCormack responded sharply: “I am deeply disturbed with your report.... There have been a number of studies made. All of these studies disagree with your conclusions. They disagree dramatically with your conclusions....The most recent studies by ERDA, the National Academy of Sciences, and other organizations.... If I may paraphrase what you are saying, you are saying you do not know how much uranium there is, but you will ignore the report of the Federal government and use some other planning base which is much higher.” (9)

#### *Britain’s Lovin*

Facing congressional resistance to his energy policy, the President, acting together with Secretary Schlesinger and Deputy Assistance Secretary of State Nye, convened the “International Nuclear Fuel Cycle Evaluation” conference in Washington on Oct. 19. Carter opened this conference with a speech before the assembled international experts based on the quackery of Amory Lovins of the British Friends of the Earth (See “Friends of the Earth: Nerve Center for Britain’s Environmental ‘Movement’”, Executive Intelligence Review, Jan. 10, 1978). Mr. Carter stated that “The need for atomic power itself for peaceful uses has perhaps been greatly exaggerated.” He proceeded to justify this statement by appealing to “studies” he had “just recently been shown” that demonstrate that nuclear

generated electricity costs 20 to 30 times more than the equivalent in oil — an absurd conclusion by any responsible standard. (Nuclear generated electricity is in fact the *least* expensive, not by estimates, but by proven performance.)

These “studies” were shown to him the previous day in a long meeting the President had with Lovins. That is generally known. What has not been previously reported is that James Schlesinger sat in on the entirety of that meeting, and Carter would not have proceeded to base his speech on Lovins no-growth doctrine had Schlesinger raised any objections.

The Atomic Industrial Forum, not knowing Schlesinger was in on that meeting and thinking they were addressing a pro-nuclear ally, wrote a letter to the Secretary in which they point out the faulty assumptions and biases built into Lovins’ model. (10) “Others inside and outside the nuclear industry are equally dismayed by the President’s remarks and the uncritical acceptance of the assertions of Mr. Lovins,” they wrote. (Schlesinger has not even acknowledged receipt of this letter.) In the case of Lovins’ work, his models are not only based on unacceptable assumptions, but are internally inconsistent and absurd — but all weighted heavily against the nuclear option — this being enough to recommend them to the President of the United States.

In an April 14, 1977, memorandum (11) on ERDA letterhead, this order was given to all ERDA offices: “The following booklets should be removed from circulation and destroyed. These publications do not reflect current policies.” The list of booklets to be banned or burned includes: “The Economics of America’s Energy Future”; “Nuclear Power and the Environment”; “Atoms on the Move”; “The Economics of Nuclear Power”; and “The Breeder Reactor.” (12) These publications were not written to be “policy statements, but were objective descriptions by scientists of various aspects of nuclear power. (13)

But, the most dangerous forgery that the Energy Secretary feeds the President and directs him to throw up to the American people is the lie that the most energy efficient population in the world is the most energy wasteful and slothful. And this lie is justified through the same technique of skewed models to premise a desired conclusion. In fact, the relevant calculation is not Mr. Carter’s units of energy consumed per capita, but *units of energy used per unit of GNP produced* — and by this measure, the United States leads the world in efficiency and the U.S. working class leads the world in productivity. A cutback in energy here would force a cutback in goods produced for all mankind.

— Laura Chasen

## FOOTNOTES

1. U.S. Central Intelligence Agency, “The International Energy Situation: Outlook to 1985,” April 1977.

2. Detailed, among other places, in the following press accounts: *Washington Post*, June 12, “CIA’s Soviet Oil Forecast Disputed”; *Washington Star*, April 25, “U.N. Experts Challenge the CIA’s Energy Warning”; *New York Times*, April 29, “CIA’s Gloomy Oil Estimate Disputed”; *Executive Intelligence Review*, Aug. 16, “Turner Report Debunked.”

3. S. David Freeman, “Energy: The New Era,” Walker & Co., N.Y., 1974. Of course this book also recommended the author to this Administration by its slanders of fusion energy and its strong push for solar and geothermal power.

4. The fraud of the CIA report was so clear that, long after its initial usefulness, Secretary Schlesinger apparently admitted that he did not really believe its conclusions; a small item to this effect appearing in the *Washington Post*. But when publicly questioned at his December press conference, he again stated his “agreement” with the fraud, simply further confirming the assessment of William Clements, Deputy Defense Secretary under Schlesinger, that the Secretary is “an intellectually dishonest person” (Quoted in the *Cleveland Plain Dealer*, Oct. 24, 1977).

5. The *Wall Street Journal* editorial on June 14 elaborates this.

6. “Activities of the Office of Energy Information and Analysis (FEA) — A Report to the President and the Congress by the Professional Audit Review Team,” Dec. 5, 1977, GAO.

7. George R. Hall is the godfather of one of Schlesinger’s children, having met Schlesinger when they were both professors at the University of

Virginia, and having been taken by Schlesinger into the various agencies he has headed during his diversified government career.

8. “Nuclear Power: Issues and Choices” — Report of the Nuclear Energy Policy Study Group, sponsored by the Ford Foundation and administered by the MITRE Corporation, Ballinger Publishing Co., Cambridge, Mass.

9. “ERDA Authorization Hearings for Fiscal Year 1978 on Nuclear Power: Issues and Choices,” hearing record of the Committee on Science and Technology, U.S. House of Representatives, April 1977 (hearings held March 31, 1977). Pages 46, 41, and 43 are quoted here. (Estimates of the former Atomic Energy Commission for U.S. uranium reserves were also sharply lower than the Ford-MITRE estimates — see AEC Report — WASH 1242, 1243.)

10. Letter from Carl Walske, President, Atomic Industrial Forum, to Secretary James R. Schlesinger, Oct. 21, 1977.

11. Memorandum under the signature of Edwin E. Stokely, Assistant Director for Communications Services, Office of Public Affairs, ERDA, dated April 14, 1977, titled: “Re: Removal of Publications from Distribution.”

12. Senator Harrison Schmitt put a strong statement in the Congressional Record of May 18 condemning this bookburning, the MOPPS book burning, and the firing of USGS’s McKelvey.

13. Although Schlesinger did not directly control the ERDA bureaucracy in April, he headed the energy policy making staff, and ERDA personnel of course all knew he would be taking charge of their operation as soon as the Department of Energy was officially constituted.