

this fundamental disagreement with the U.S. does not exist?

A: What I heard in my conversations with the administration did not have this Malthusianism that you are referring to.

### From the French press ...

#### "Five discreet dollars"

This article by Charles Lambroschini was published in *Le Figaro* June 1.

Not one word in the American press concerning the \$5 per barrel subsidy which is making European governments holler so loud. In diplomatic circles in Washington, some assert that this discretion is not the fruit of coincidence. According to them, the White House did its best to hide its decision....

According to one expert, "the White House has just artificially created in the United States what is occurring spontaneously on the Rotterdam market."

... Carter is leaving himself open to discovering soon that the remedy he is proposing is worse than the disease. A specialist affirms: "Now, nothing prevents OPEC from declaring that the "natural" price of its crude, is the world market price, plus five dollars.

#### "The nuclear challenge"

Energy specialist Christian Guery, commented on Carter's policy in *Le Figaro*, June 1.

... Nuclear problems demand rapid decisions: it takes at least seven years to build a Fessenheim-type reactor. Any temporizing thus compromises the medium-term future....

Two series of figures are particularly significant. Presently, more than 69 percent of the world's "reasonably assured" uranium supplies are in North America and in Africa, south of the Sahel. Seventy-nine percent of the "additional, reasonably probable" resources ... are located in North America, of which more than half in the United States.

In other words, if there is one day an OPEC for uranium, this cartel will be limited to one country: the United States.

The latter, by rejecting the fast-breeder and reprocessing for "official" security motives, are organizing tomorrow's shortages....

The energy crisis should deserve other strategies than these byzantine games.

## Schlesinger: 'a neo-Malthusian model'

The following is an excerpt from a June 4 luncheon presentation by Energy Secretary James Schlesinger to the first annual meeting of the International Association of Energy Economists in Washington, D.C.

Energy is now the quintessential economic problem. The solution to the energy problem will determine the survivability of the political institutions in the Western democracies. The fundamental problem is the ability to produce petroleum from traditional sources matching market demand with full employment. Worldwide expansion of oil capacity is not occurring. We have a limited resource base.... Oil is under the domination of governments, not the U.S. oil companies....

Economics has never had a good theory for depleting resources. Constraining demand is the only way to hold prices down with stable supplies.... I am impressed by Milton Friedman's theory of administered pricing which can delay increases.

The only way to deal with shortages is to constrain demand and not rant about the consequences. The market can make small adjustments over long periods of time. In this energy problem, we need substantial adjustments over a relatively brief period of time.

Neoclassical models of the economy don't work in this situation. *A Neo-Malthusian model is more relevant to problems we face in the short run* [emphasis added].... The problems won't be solved by going back to economic models based on the depletion of what oil and they won't be solved by the use of snake oil.... We face a massive shift in the requirements of society. We had hoped in 1977 when we introduced the National Energy Plan that we had seven to eight years to make these adjustments. We were not able to achieve a national consensus or stability in the Middle East and have had a substantial delay.... We have to abandon the marketplace as an idol and adopt the theory of early 19th century German economists to protect "infant industries," like syncrude, gasified coal. We have to compress the time normally taken by the market process. The government will have to support R&D and subsidies to bring the substitute fuels on line before the marketplace would bring them into play.... Even the American Enterprise Institute is impressed by the magnitude of the energy problem and said some deviation from the market principle is permissible.... The transition will be exceedingly difficult. The

economists have to get the problem across to a skeptical U.S. public. I will end with a quote from George Allen: "The future is now," so let's get cracking....

**EIR:** *I am very disturbed by the assumption that has been made throughout this conference in terms of the relationship between energy and economic growth. It would seem to me that GNP does not measure economic growth. For example, if you legalized gambling, prostitution and narcotics there would be a dramatic increase in the GNP, with very little input [laughter]. In that light, I have never seen any study which actually shows no relationship between energy and economic growth. Therefore, it sounds to me as if your program is the same as the Council on Foreign Relations Project 1980s program for controlled disintegration.*

**Schlesinger:** The question is, "Is there a hidden potential that this program may have the seeds of its own destruction?" Energy conservation has been a great success. The coefficient of energy growth to GNP growth has declined from 1.0 to .5. This will not lead to disintegration beyond our present programs. That's what we are worried about and trying to avoid, by limiting demand and making sure we can meet energy demand with full employment.

## Oil hoax: how it could

So far, as this publication has repeatedly documented, there has been no world oil "shortage" in the present crisis. But some Anglo-American moves are being readied in the Persian Gulf area that could not only change that, but plunge the world into a nasty political confrontation as well.

Following policy guidelines laid down by British planners, the U.S. National Security Council will be holding a series of meetings this month to discuss activating contingency plans for an Anglo-American military incursion into the oil-rich Arabian Gulf region. As is well known to experts throughout the energy industry, any such move will *guarantee* the stoppage of the flow of oil from the Middle East.

The military moves will be made to stem destabilization which the British themselves are planning, in areas where British intelligence has played a predominant role historically and to the present. These destabilizations include:

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## Cost of speculation: don't be fooled by forecasters

Businessmen and investors are going to receive not one but two shocks in the wake of the latest round of speculative oil price increases: the first, the impact of the increases themselves on business and industrial activity, the second, how far off the mark are the forecasts of the "Big Three" economic modeling services, Data Resources, Inc., the Wharton School, and Chase Econometrics, regarding those effects. Indeed, the sanguine prognostications of these services seem almost tailored to conceal the purpose of Schlesinger's oil hoax—the savaging of U.S. industry and living standards—and may, according to some observers, lay them open to action by customers who incur losses as a result of misleading predictions to recover subscription fees and possibly actual damages.

### "It ain't that bad"

Chase Econometrics estimated June 6 that the price of oil will be 38 percent above 1978 levels by the end of 1979. "This increase will be "inflationary, harm consumer confidence and hasten the recession," the Chase spokesman said. But just how bad will the effect of the oil price increase be? Well, said Chase, "our computer model projects no growth for the second

quarter of 1979, then declines of 1 to 2 percent in the last two quarters of this year and the first two quarters of next, with an upturn in the third quarter of 1980."

A spokesman for Otto Eckstein's Data Resources International was more tight-lipped: "let's just say, that we will lose one year's growth over the next decade." Further prompting brought the prediction that GNP will fall 3.3 percent."

The Wharton School spokesperson allowed as how they simply took "the Wharton Annual projection, and overlaid the Carter decontrol program on it, without the windfall tax." Wharton's projections would hardly lead anyone to lose much sleep. "We think GNP will fall 0.3 percent for 1980 and 0.7 percent for 1981," the Wharton expert said. "Inflation will increase because of the oil situation by 112 percent in 1980 and another 0.6 percent in 1981. Nonresidential fixed investment will fall by 0.7 percent by 1982."

In a manner totally contemptuous of their clients, then, the Big Three are predicting a mild downward bump in the economy, which business will prepare for by making minor adjustments in inventory, investment, and so forth. In fact, as any one could intuit if they lived through 1973-75, the economy is going to be