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 imput* [*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:

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

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get worse

• use of the British drug-running and "dirty money" base of Dubai as a launching point for "centrifugal" tendencies in the United Arab Emirates. Tension has recently been reported between Dubai and other members of the Emirates;

• crises in the Saudi oilfields manipulated by the fundamentalist Prince Abdullah and his National Guard to create a "state of emergency" in Saudi Arabia;

• exacerbation of the internal crisis in Oman, the strongest bastion of British special operations units in the Middle East. In a series of reports from Oman, *New York Times* Anglophile military columnist Drew Middleton has been quoting Oman's Sultan Qaboos calling for increased American intervention in Oman and in neighboring countries to "stop Soviet aggression."

Since Oman, Dubai and contiguous areas provide several critical "choke-points" where the British could stop a flow of Gulf oil which amounts to approximately 20 million barrels per day of the world's oil supply, it is ominous that Middleton, in a June 7 *Times* article datelined Khasab, Oman on the strategically vital Straits of Hormuz, writes that "the Strait of Hormuz is the greatest economic choke point in the world.... The strait could be blocked in a number of ways.... The result would be that the economy of the U.S., which gets an increasing percentage of its oil from the Persian Gulf, would be significantly damaged."

Nor is it coincidental that the same day's *New York Times*, reporting on the Schlesinger "Strategic Petroleum Reserve," quotes Energy Department Deputy Secretary saying that the Reserve "is intended to be used in case of a severe petroleum interruption as defined by the President. That would be something like a total loss of oil imports from the Middle East."

A fourth option that can be used to provoke an oil shutdown depends on keeping Iran in a state of worse

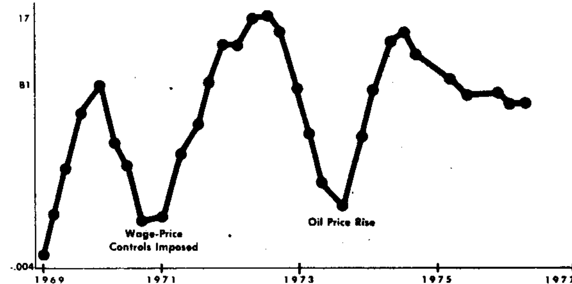
clobbered, and badly, by the latest round of price hikes.

Using the increasingly respected Riemannian Economic Model developed under the direction of U.S. Labor Party Chairman Lyndon H. LaRouche, Jr., *Executive intelligence Review* is preparing an analysis of the 1979 oil hoax, to appear shortly, whose preliminary considerations indicate that the impact of the 1979 hoax will be every bit as severe as in the aftermath of the 1973-74 round of prices (see graph).

The basic consideration: Oil price increases cannot be represented simply as a projection of GNP. As everyone knows—or should know—an oil price increase has a *multiplier effect*, forcing factory shutdowns, spiralling inflation, cuts in the export market (because the Third World cannot afford to import capital goods due to their increased bill for oil, and so forth.

Taking an extremely conservative estimate of a 1979 increase in the U.S. oil bill of 70 percent or $52.5 billion, based on $16.00 OPEC and domestic oil prices, and comparing it to the $27.3 1973-4 increase, one can see that the magnitude of the increase is nearly twice the size that in 1973-74. But *the economy has not doubled*—not GNP, and even less so the industrial sector. Therefore, the effects of this crunch will be for worse. The $52.5 billion is larger than total U.S. industrial profits when the latter are deflated and corrected for capital replacement costs.

Oil hoax—the consequences could be economic collapse



The present shortage of oil and gas—and the concomitant rise in price—contrived by Energy Secretary James Schlesinger could have a devastating impact on the U.S. economy. That is the conclusion indicated by the Riemannian model for economic analysis and forecasting developed for the *Executive Intelligence Review*.

The accompanying graph summarizes the results produced by the model from an historical analysis of the U.S. economy through the period of the 1973-1974 oil price hike. What the researchers found was that the ratio of available reinvestable profit (S') to the sum of constant capital (C) needed to maintain plant and equipment and variable capital (V) needed to maintain the labor force dropped dramatically in 1973-74. This ratio, S'/C+V, is determined by the model as the most sensitive indicator of the potential for economic growth.