his directive diverting supplies into home heating fuel, which has affected gasoline and diesel supplies severely. The Energy Secretary also helped guarantee that there would be a shortage by pressuring U.S. oil companies not to buy additional oil on the Rotterdam spot market. Using the fraudulent excuse that such purchases would raise Rotterdam prices even higher, Schlesinger caused an additional 200,000-300,000 barrels per day supply shortfall in the United States. Once the damage had been done, Schlesinger then reversed himself last week, and told U.S. companies to resume purchases on the Rotterdam market, now that prices above $30 per barrel are being rumored.

Oil company complicity

As their attendance at the Arden House meeting suggests, the oil companies have been witting participants in the London-Schlesinger scenario. In March, for example, Exxon announced that it was applying oil supply allocations for its U.S. customers based not on how much oil they got from Iran (a relatively small factor in the U.S. market), but based on how much oil the U.S. consumes—a formula which doubled the impact on the United States.

The ostensible reason for this unusual arrangement was the fact that Exxon and the other U.S. majors are supplying the Anglo-Dutch majors, British Petroleum and Shell, with supplies to compensate for their losses from Iran cutbacks. (BP and Shell were the majority foreign holders in Iran.) Yet Exxon and Co. made these arrangements with the two Anglo-Dutch companies despite the fact that BP and Shell—who as a matter of policy were involved in the destabilization of the Shah and encouraged the temporary shutdown of their own production—had heavy stockpiles, and are making a killing on profits from their holdings in the North Sea, Alaska, and Nigeria.

This diversion of U.S. supplies, coupled with a series of unexplained but conveniently timed accidents, including one at Exxon's huge Baytown, Texas oil refinery, have given credence to the lie that the oil shortage is real.

—*William Engdahl*

2. Schlesinger's IEA

At a meeting May 21-22 in Paris, the International Energy Agency, coordinated from behind the scenes by U.S. Energy Secretary James Schlesinger and West Germany's Economics Minister Graf Otto von Lambsdorff, adopted a plan that will use the rigged oil "shortage" to slash world economic activity, with the United States, the *New York Times* stated this week, getting the brunt of the working over.

Rejecting rationing plans as "arbitrary cuts," the final communiqué of the IEA meeting declared that "we should encourage oil prices to rise. This will force energy cutbacks of 5 percent." Moreover, warned the agency, which includes the 20 advanced sector nations, "in the foreseeable future, the world oil market will be tense. New surprising disturbances in the oil market, therefore, should not be ruled out in the future." And, the communiqué added, "the energy scarcity worldwide is threatening the prospect of further economic growth."

The IEA, originally formed by Henry Kissinger in 1974 ostensibly to oversee, and in cases of emergency, to distribute world energy supplies equitably, is in fact attempting to function as a world energypolicymaking crisis management body. With world oil production at a record 60 million barrels per day, according to the U.S. Department of Energy, the IEA crisis managers are relying on the big lie that there is a drastic shortage of world energy supplies.

In March of this year, the IEA, meeting in Paris, set the stage for the present crisis scenario in the U.S. when it adopted a "voluntary austerity" energy cutback plan under which members agreed to a 5 percent reduction in consumption of oil. The formula agreed on at the IEA meeting—a formula devised by U.S. Energy Secretary Schlesinger and Undersecretary of the Treasury Richard Cooper together with Graf Lambsdorff at a premeeting in Washington—imposed the cutbacks on the basis of member nations' consumption rather than the amount of oil each country imported. Thus, of the 1.2 million barrels per day cutbacks total among the IEA members, fully 800,000 barrels per day was borne by the United States—by far the largest energy consumer.

Following adoption of the formula by the IEA, it was then voluntarily imposed by Exxon and the other oil multis, in coordination with Schlesinger.

'Energy profligacy'

At the May meeting, Graf Lambsdorff, a German aristocrat, whose policies are sharply and publicly at variance with those of Chancellor Helmut Schmidt, set the tone of the conference by denouncing the heavily

attack on economy

energy dependent advanced sector nations as profligate energy wasters. But, he suggested, this advanced sector profligacy will be taken care of by outside forces, namely manipulated price increases. "There is no way we can prevent energy prices from going higher in the future," Lambsdorff intoned to the assembled economics and energy ministers of the IEA member countries. In fact, he said, higher energy prices are preferable, not to stimulate energy production, but "to force us to make conservation cuts."

Elaborating on this theme, Guido Brunner, Energy Commissioner of the European Commission (EC) staff, developed the conference's secondary theme: dismantling the economy of the largest industrial nation in the world, namely the United States. "The world economy as a whole can no longer accept American imports at their present level," stated Brunner. Fuel imports, leading to inflation, will create a situation in which "we will have to shut down portions of the world's energy production."

The IEA also gave unqualified endorsement to expanded coal use, and called on the world's governments to develop policies to "liberate coal trade through setting up useful infrastructure." On the nuclear question, the IEA faintly praised nuclear energy, but hastened to add that nuclear energy must be ruled out as a significant aid to the energy crisis, because "it cannot be developed in significant amounts over the coming years."

Rotterdam manipulation

The IEA scenario is being reinforced by the manipulation of the hectic Rotterdam spot market. The day after the conference, the *Journal of Commerce* reported: "Traders on the chaotic Rotterdam spot market predict the price of a barrel of oil there will hit $36 within the next 10 days, and surge to $40 within a month just before the Organization of Petroleum Exporting Countries' meeting scheduled for the last week of June in Geneva." The Rotterdam market is dominated by Rothschild and Oppenheimer financial interests, and the price hikes projected would occur just in time to affect the end of the June meeting of OPEC in Vienna.

Also backing up the IEA program, Energy Secretary James Schlesinger (whose manipulation and doctoring of statistics and information is an ongoing scandal) told a press conference at the conclusion of the IEA meeting that "the Iranian crisis and the ensuing cutback in oil has brought forward the day of reckoning. Now there is no leeway for any other *political upheaval* even in a small producing country." Political commentators were quick to cite the "Bernard Lewis plan," named for the Aspen Institute and Princeton University protégé of Sir John Glubb Pasha which calls for "Islamic" upheavals to fragment the states of the Gulf.

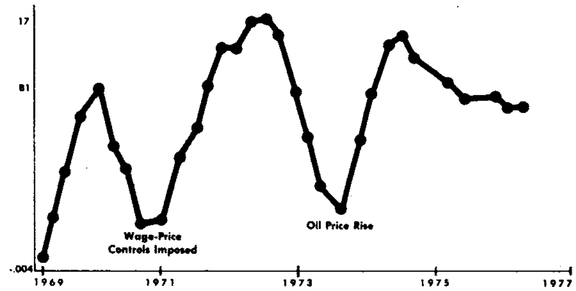
In the United States, the IEA meeting was followed by announcements by the big oil majors May 30 that by the summer, some U.S. consumers will be getting only 80 percent of the gasoline they used in 1978.

Putting the proverbial "icing on the cake," the *Financial Times* reported May 31 in an article titled "Finance for the Second Wave of the World Oil Crisis" that if oil prices increase, it will be the world's lending banks which will increasingly be the arbiters over the world's economy, by virtue of their control over the increased money flows generated, and the increased borrowing needs of countries which must finance oil imports.

The remarkable resemblance of this situation to the 1973-74 oil hoax cannot be dismissed. The question is, will governments passively accept it? Under Schlesinger, the United States has so far eagerly embraced the IEA formula. But Italy flatly rejected the final communiqué of the May IEA meeting, refusing to sign, while the French officials indicated later that their signing of the IEA policy documents was perfunctory and might soon be rejected by the French government as well.

—*Richard Freeman*

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 1973-74 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) determined by the model as the most sensitive indicator of the potential for economic growth.