

Speculation must be fought—François-Poncet

The French Foreign Affairs Minister Jean François-Poncet opened a June 5 press conference with this statement. Following, we record his interchange with the press.

The time has come for concerted action among consumers in order to fight speculation, in order to reduce consumption of oil, and—in order to develop alternate sources of energy—the consumers, having taken such steps could meet with producers countries to promote a harmonious international economic growth and balance... binding decisions have to be taken at Tokyo.

Q: *Is there any chance that France will join the IEA to develop this concertation you speak of?*

A: We did not join the IEA because we had the feeling that this was inspired by a confrontationist spirit and we very much believe that what has to be done is concerted action with oil-producing countries.

Q: *What kind of general understanding with the producers is possible?*

A: The oil-consuming countries must understand... that the oil-producing countries react negatively when they see that a portion of oil being sold is twice as high as the OPEC price. If we want to open a dialogue, we must come up with effective action in such fields as the spot market, and then we see how the dialogue develops. I think there is a growing understanding that we are all in the same boat.

NSIPS: *Twice yesterday, Schlesinger stated that he didn't consider speculation to be the problem, but blames Europe for not imposing austerity on itself. None of the Carter administration's public statements are in line with your calls for concerted action. Why do you insist on giving the administration credibility, when the Mexican President responded in much harsher terms?*

A: I quite frankly think that this approach is not a good one. It is not helpful if we really want to reach what is necessary—a mutual common constructive reaction—to try to place the blame on the other fellow. Also we are developing nuclear energy at the fastest pace. Few people realize it, but 50 percent of our electricity will be from nuclear energy in 1985. That will be the highest

proportion in the world. I got very positive reactions in my talks, and am encouraged.

Q: *There are projections that by 1985 world oil supply may be so tight that it would heighten conflict between the U.S. and its allies. Has 1985 arrived? Vance is reported to be considering contingency plans involving the U.S. military. Do you support this contingency?*

A: What is happening now is that factors not linked with supply, but which are political factors, are creating a peculiar situation. I would say that 1985 is not now but it is a very tight situation... But if we react positively now we may overcome 1985 before it happens... My opinion is that the Middle East is a political problem and we do not think it should be approached in a military way.

Q: *What do you think the objectives of the Tokyo summit should be?*

A: We must look into the spot market. We have a clear objective. We must come to a system by which the prices at which the oil-producer countries sell is the price at which oil is purchased by the consumers... Otherwise, the West commits economic suicide.

Q: *The U.S. government thinks the Egypt-Israel treaty is perhaps the most positive achievement, why do you find it so faulty?*

A: ... A separate agreement brings division to the Arab world. You can say that you do not have a separate treaty when there is a solution to the West Bank and related Palestinian problem that is accepted by the Arab world... It is not useful to isolate the whole Arab world—to have them facing a Western wall... There will not be a lasting peace unless the Soviet Union is brought into the picture.

NSIPS: *Schlesinger also said yesterday that the only appropriate economic policy is a Malthusian one, that we must cut consumption and "stop ranting about the consequences." This comes straight from Hitler's Finance Minister Hjalmar Schacht's policies. This is the perspective that the EMS was explicitly set up to fight. Do you agree with Schmidt that the alternatives are energy development or wars. Why do you think that it is useful to insist that*

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