Behind the U.S. oil import tax proposal

by Leif Johnson

What single measure—now being promoted by the U.S. press, Office of Management and Budget Director David Stockman, and a group of ultra-liberal Congressmen—could seal the United States into permanent depression, wreck the Reagan Presidency, and starve the most populous oil-producing countries into population-reduction policies?

A $10 tax on each barrel of imported oil could accomplish just that.

Ten dollars added to each imported barrel would set all oil prices, including domestic, at $40 a barrel. Natural gas and coal prices would also rise to "competitive" levels, and the U.S. economy would suffer a net drain of between $60 billion and $80 billion the first year.

Consider the effect of taking about $50 billion out of consumers' pockets on the U.S. auto, housing, and other consumer-goods industries. The tax would have a more ruinous effect on today's depressed American economy than either the 1973 or 1979 oil shocks. Coupled with Federal Reserve policy of pushing up interest rates, the oil import tax could put the economy into a "post-industrial age" for good.

Federal Reserve Board Governor Henry Wallich told the Overseas Press Club in mid-March that he not only favored maintaining high interest rates "to fight inflation," but also backed the oil import tax. Of course, the import tax would boost the consumer price index by a full percentage point the moment it was imposed, not counting the further inflationary impact of increased natural gas and coal prices. But inflation fighting is the last thing on the minds of the tax's backers.

According to one: "If we could lower international oil prices 15 percent, we would force OPEC countries to face up to their real problems, and for the populated OPEC nations, their number-one problem is population. It would have to be reduced."

Reagan is at stake

The oil taxers feel that the proposal is the perfect weapon against the Reagan administration. If Reagan enacts the tax under powers contained in the 1982 Trade Expansion Act, then he destroys all chance of economic recovery he and his advisers had promised, and goes down as having passed the largest excise tax in history. If Reagan refuses, Congress, already blaming him for creating an unsustainable budget deficit, could block the budget by refusing to allow the debt ceiling to be raised, creating a budget crisis by early summer.

The President is under heavy pressure from an oil tax clique within the White House. Council of Economic Advisers head Murray Weidenbaum, Office of Management and Budget Director David Stockman, and Transportation Secretary Drew Lewis attempted to force the President's agreement to the tax during the December White House budget discussions and continue to raise an unholy din on the subject.

The claque in Congress is headed by Socialist International Democrats including Senators Gary Hart (Col.), William Bradley (N.J.), and Representatives John Dingell (Mich.) and Philip Sharp (Ind.). An aide to Bradley explained that last summer Bradley and Sen. Charles Percy (R-Ill.), who chairs the Foreign Relations Committee, had introduced oil import tax legislation that died unnoticed. "Now we can impose the tax because international prices are coming down and the public won't notice the price increase as much. But we are not going to introduce legislation. We want Reagan to enact it."

Who are the oil taxers? They are the Socialist International-linked Democrats who formerly occupied top positions in the Carter administration.

One muscleman is Al Alm, Undersecretary of Energy for Policy Planning under James Schlesinger. He has already gotten support from the oil cartel, which not only sees the advantages of a $40 barrel of oil, but holds vast domestic natural gas and coal lands as well.

The chief international strategist is Carter's Undersecretary of State for Economic Affairs, Richard Cooper, and "economic credibility" comes from William Nordhaus, Chairman of Carter's Council of Economic Advisers.

Nordhaus is said to be working with the International Association of Energy Economists whose former head, Jim Plummer of the Electric Power Research Institute (EPRI), is preparing a major report advocating the tax. EPRI, the think tank of the electric utility companies, is controlled by the Aspen Institute headed by Robert O. Anderson, former chairman of Atlantic Richfield, the oil giant.

Another leading strategist is David G. Snow, the top energy analyst of Warburg Paribas Becker-A.G. Becker, who is also a member of the Israeli-intelligence-linked Wall Street Nuclear Club. His contribution, "The Oil Import Tariff: A Painless Way to Balance the Budget" claims that decreasing the OPEC surpluses is the only way to prevent the Arabs from buying out the United States. There is a double irony in this argument, since Warburg Paribas Becker is a leading broker for Arab buy-ups in the United States.

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