H. Armstrong Roberts

ENERGY CARTEL

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■ THE newspaper headlines tell us that America's balance of payments deficits have hit an all-time high because we must now import, and pay for, half of our oil from abroad. The wire services also inform us that O.P.E.C., the Organization of Petroleum Exporting Countries, is going to hoist the price of oil into the range of fifteen dollars a barrel. Upon reading these bad-news bulletins, millions of Americans joined in ritual cursing of the Arabs. Here are these foreigners, parading around all day in their bathrobes, and threatening to throw the whole world into depression. They have greedily hijacked the price of petroleum, over a six-year period, by a monstrous six hundred percent — from $2.50 for a forty-two gallon jug

Energy is the lifeline of the American economy, yet the effort that raised the price of oil 600 percent was the work of a conspiracy based in the United States. Economist Julian Snyder says O.P.E.C. was created through the State Department with the help of the Seven Sisters of oil and the New York megabanks.

up to the range of fifteen dollars. Arabs are now about as popular in the United States as Jack the Ripper at a COYOTE convention.

Let's face it. There is little about the Arabs with which the typical American can identify. The culture in the camel lands is radically different from our own, as is virtually every aspect of their lives. Since very few Arabs live in America, there is no political constituency to attract the sympathy of vote-hungry politicians. And it is only natural that the consumer who has just fed his "Gaseater 485" something in the neighborhood of fourteen dollars for a tankful of "Super No Knocks" finds it hard to forget when it only cost six dollars to fill-'er-up. Americans are so angry at the Arabs that one takes his life in his hands if he wears his bathrobe out on the sidewalk to pick up the morning newspaper.

We haven't seen a Gallup poll on the subject, but we would be willing to bet from our own experience that the vast majority of Americans do not realize that when we speak of Middle Eastern oil we are not only talking about the Sheiks of Araby but also about their partners, the multinational oil companies. Especially the so-called Seven Sisters, who are Exxon, Mobil, Standard of California, Texaco, Shell, Gulf, and British Petroleum. For the Arabs, you see, don't have their own oil companies. Their operations are dominated by the seven multinationals.

It is true that the O.P.E.C. nations have nationalized, or are in the process of nationalizing, their oil properties. In the past, oil companies obtained *concessions* from the host nations to develop oil resources in return for which they paid those governments a royalty. There was never any doubt as to whose properties we were talking about. The sand belonged to the sheik, but the oil wells belonged to Exxon. Then, along came O.P.E.C.

The masters of O.P.E.C. have, with the help of our government and the Seven Sisters, put together the most successful cartel of all time. The organization was established in 1960 by five oil-producing nations to unify their petroleum policies. They faced what was then strictly a buyers' market. Oil was in great over-supply and Persian Gulf oil was commanding the princely sum of eighty-eight cents a barrel.

The official story has it that O.P.E.C. was the brainchild of one Juan Pablo Perez, who many years ago was run out of Venezuela for his radical activities. During his exile, Perez spent two years in New York City before going on to structure O.P.E.C. There are those of a suspicious bent

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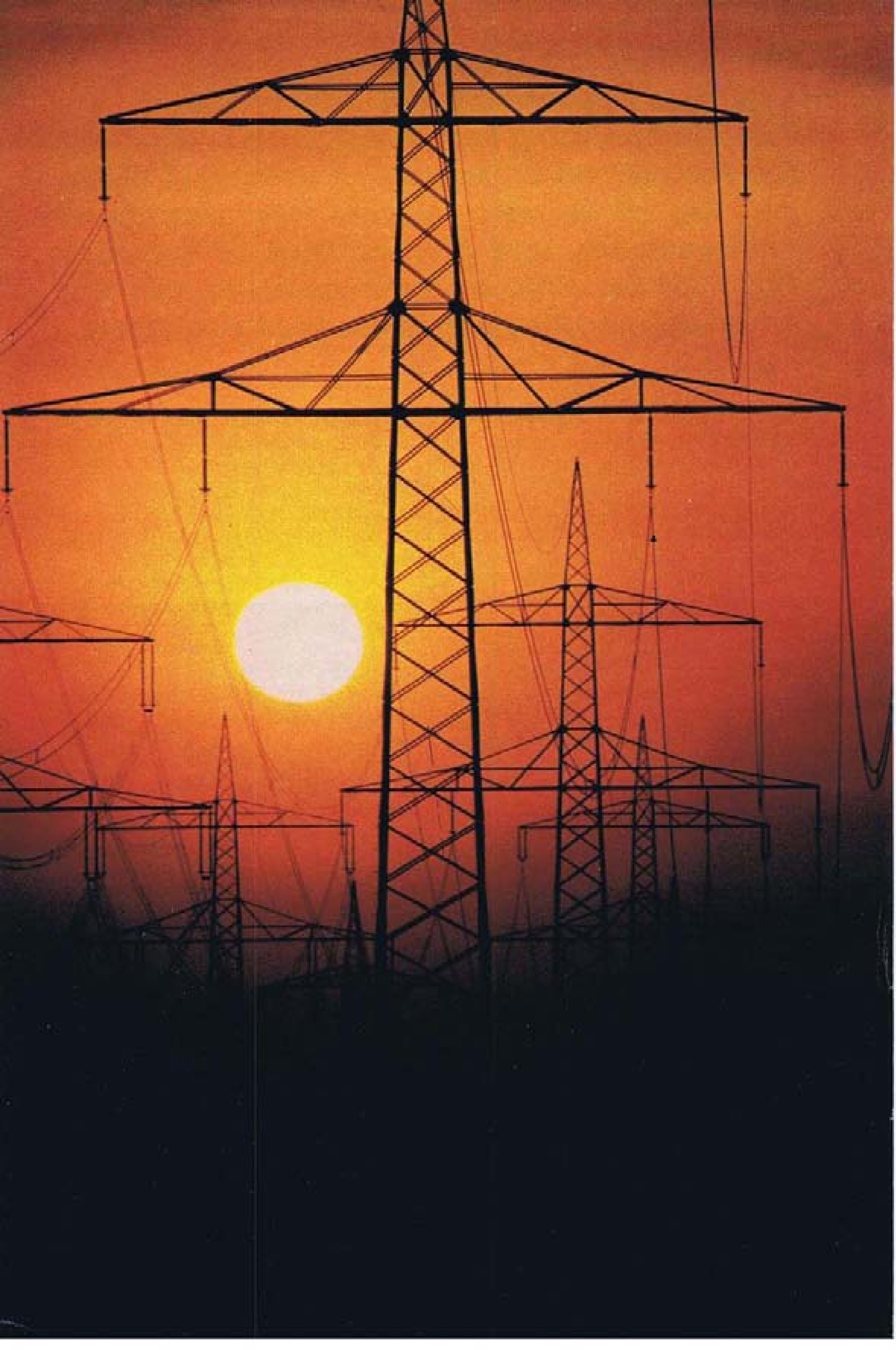

Unless we expose the energy cartel, and drive cooperating bureaucracy from the field, the sun will set on America's economic promise. Big oil already controls forty percent of coal reserves and fifty percent of uranium. Much of the rest, in government hands, has been locked up by cartel-financed ecologists.

who wonder who financed and trained Juan Perez in Gotham, but that is not something one can look up in the index of the *New York Times*.

There are theories, however. Julian Snyder edits a hard-money newsletter out of New York City called "International Moneyline." While Snyder's publication is pro-gold, and regularly castigates the politicians for their mishandling of fiscal matters, it can hardly be termed a scandal sheet. And "International Moneyline," which has unusually good sources in the Arab O.P.E.C. nations, claims that the tremendous increases in O.P.E.C. oil prices, starting back in 1973, were conceived right here in the United States. Snyder writes: "it is . . . widely known on the highest levels in Washington, that since 1971, the United States has encouraged Middle East oil-producing states to raise the price of oil and keep it up. This is not some crackpot story, but information documented in black and white by open files at the State Department and by on-the-record interviews with such individuals as James Akins (former Ambassador to Saudi Arabia), Joseph Sisco (former Assistant Secretary of State), John Sawhill (former Energy Administrator), and others."

Sawhill and Sisco, not coincidentally, are members of the Council on Foreign Relations, the Rockefeller-dominated club for bankers, industrialists, politicians, media moguls, and Ivy League operators. The C.F.R. is variously characterized as "the real State Department" or "the Eastern 'Liberal' Establishment" or "the Rockefeller foreign office."

Mr. Snyder charges that O.P.E.C. was created by the State Department, which has been controlled by the C.F.R. since before World War II, at the urging of the New York mega-banks and the international oil companies which he says have "dominated the U.S. Government for years." These banks and energy combines, notes Snyder, profit mightily from the current imbalance in oil payments and, again in Mr. Snyder's words, "are perfectly willing to sell the people of the United States down the river for the sake of getting a further hammerlock on the commerce of the planet. They may have even more ambitious plans."

Juan Pablo Perez, the founding father of O.P.E.C., the George Washington of exorbitant petroleum prices, was apparently the agent of the Penthouse Bolsheviks of international oil and high finance. It was not the first time that a member of the Revolutionary Left did a job for the *Insiders* of the Establishment.

The birth of O.P.E.C. caused no great stir at the time because few then

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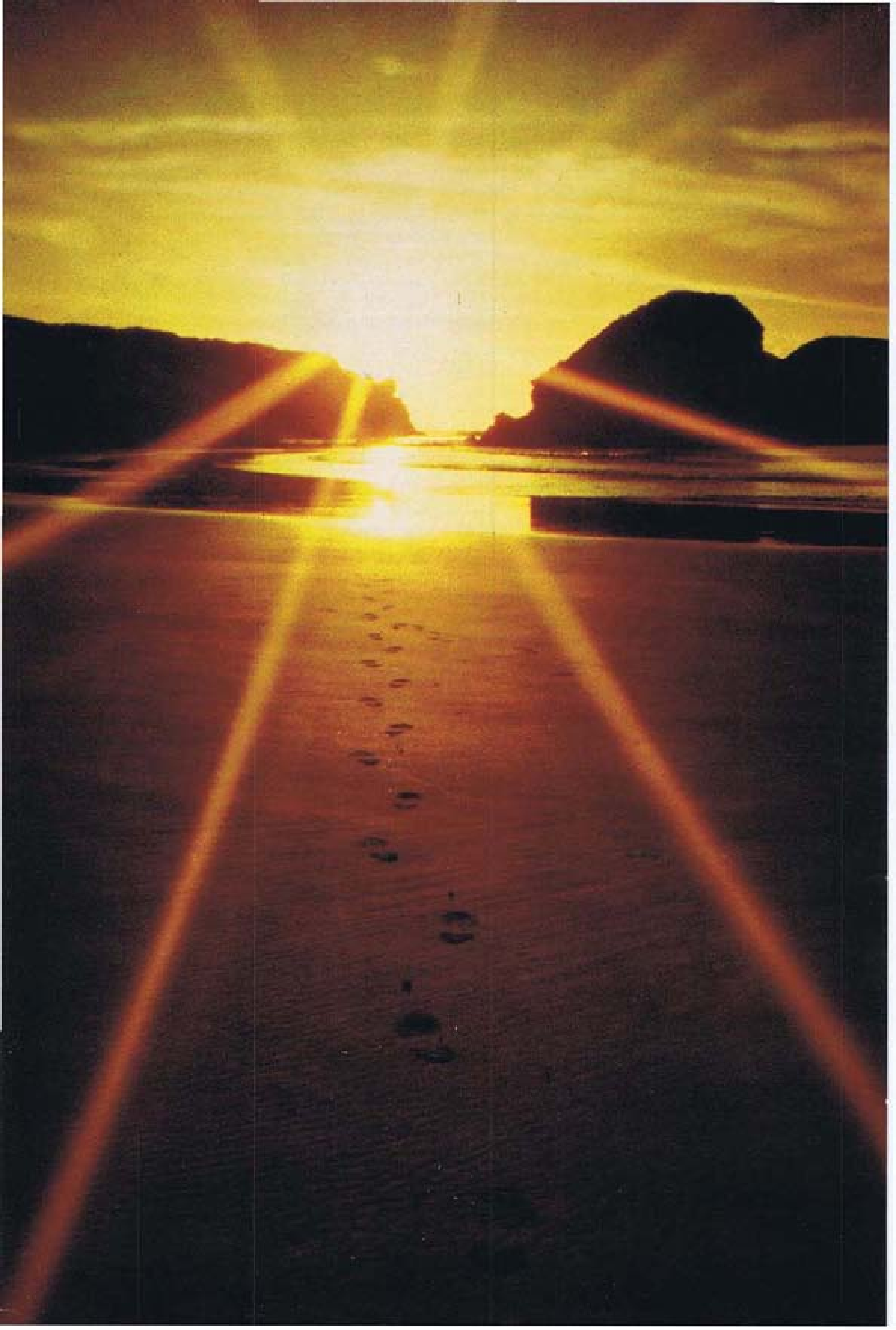

imagined that an "energy crunch" was possible. Today the original five nations have grown to thirteen, and include Saudi Arabia, Kuwait, (Communist) Iraq, (Communist) Algeria, (Communist) Libya, Iran, Indonesia, (Marxist) Venezuela, Ecuador, (Marxist) Nigeria, Qatar, and the United Arab Emirates of Abu Dhabi. Gabon is an associate member. Collectively, they have more than three-fifths of the proved petroleum reserves this side of the Iron and Bamboo Curtains, and they provide two-thirds of the petroleum exports.

In recent years, as we have noted, O.P.E.C. countries have been involved in canceling concessions to the Seven Sisters and nationalizing the properties of the international oil cartel. Which raises the question: Why would the New York megabanks and international oil companies work behind the scenes to father such an ungrateful child? The answer is as simple as Br'er Rabbit begging not to be thrown in the briar patch. There is no other way that the Seven Sisters could have jacked the price of oil up from eighty-eight cents a barrel to fifteen dollars without precipitating a revolution.

The oil companies have had to endure some slings and arrows, but they can now get by with blaming the Arabs — and the hundreds of billions of dollars they will make from O.P.E.C.'s sky-high prices more than compensate for the criticism. The unsophisticated Street Left still calls for breaking up the oil companies. Given the Arab scenario, however, this has little chance.

But, haven't the O.P.E.C. nations confiscated the properties of the oil giants? Yes and no. The title to the wells has been changed, but that is about all. Consider, for example, the relationship between Aramco and Saudi Arabia, which possesses one quarter of the world's oil resources. The *National Journal* for March 3, 1978, contains this description:

"Aramco is a central player in the kingdom's development efforts, illustrating the gentle manner in which Saudi Arabia is nationalizing the oil industry. Aramco remains a Delaware-chartered corporation that is owned by four U.S.-based multinational firms: Exxon Corp., Standard Oil Co. of California, Texaco, Inc., and Mobil Oil Corp. But the kingdom owns 60 percent of the company's oil-producing assets, controls the company's operations and has been negotiating with the owner companies for 100 percent ownership of the assets. Once the take-over is completed, Aramco is expected to continue operating the oil fields under a service contract. The owner companies also expect to gain long-term access to Saudi oil on favorable terms. In addition, the negotiations may lead to an arrangement whereby Aramco will continue to conduct exploratory drilling, with special incentives for successful efforts. Aramco also is managing the installation of a $14-billion gathering system for natural gas, which, when completed, will provide raw materials for new petrochemical complexes and other industrial installations." Sounds rather intimate does it not?

While the Arabs hold title to the deed on the well, Aramco still drills the well, supervises its operation, pumps the oil, transports it to an Aramco tanker, ships the oil to its refinery, refines the crude into finished petroleum products, then distributes those products in the wholesale and retail markets. Other than that, it is completely an Arab operation. Blame the Arabs! You can see that if O.P.E.C. did not exist to jump the price of the product by *six hun-*

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dred percent the Seven Sisters would have to invent it.

This is not to imply that oil sheiks are simply mandarins of the Seven Sisters, dancing on a leash like an organ-grinder's monkey while the oilsters call the tune. Those who have dealt with powerful Arabs will assure you that these proud and cagey monarchs are not about to be anybody's house Ethiopian. Cutthroat negotiators, they now see themselves in the world's driver's seat and, we are told by those who know, are psychologically incapable of being knowingly manipulated by non-Arabs. The key word here is *knowingly*.

The point is that O.P.E.C. is simply a good deal for both the Seven Sisters (and their international banking partners) and the host nations which are favored with huge petroleum reserves. The Seven Sisters don't care what the sheiks think about who is running the show. It's good for their Arabic egos, and helps to take the blame for rocketing prices off the swinging Sisters.

Let's put it another way. Would you rather divide a piece of pie worth eighty-eight cents or one worth fifteen dollars? You may have to teach an Arab not to park his camel in your parlor, but you don't have to show him how to count. No one has to teach the brothers who run the Sisters how to count either. They work on a percentage basis, and all increases in prices are simply leveraged and passed on through all the levels until the final tab is paid by Joe Consumer at the gas pump or the electric company. In fact these costs escalate the price of almost everything we purchase since everything which is manufactured or transported uses energy. And the enormous profit totals of the Seven Sisters over the past four years speak for themselves.

Naturally, it could prove dangerous if the world learned that the Seven Sisters were living blissfully with O.P.E.C. Representatives of the Sisterhood therefore swear up and down that they retain their virtue. In a letter to the Senate Subcommittee on Energy, chairman of the board of Exxon C.C. Garvin claimed: "By way of historical perspective, it is important to recall that until the Fall of 1973, the international oil industry, with strong representation by U.S. companies, carried out, with the knowledge and concurrence of their home governments, negotiations with producing governments on all concessionary matters, including the critical aspects of host 'government take.' During this period, the consuming world enjoyed abundant supplies of energy at competitive prices.

"Unfortunately, the continuous growth in energy demand and the failure of the new oil discoveries in non-O.P.E.C. areas to keep pace, increased our dependence on O.P.E.C. countries. This occurred despite the fact that the overwhelming share of exploration expenditures had for some time been in non-O.P.E.C. areas. In 1973, a turning point was reached. Non-O.P.E.C. production was fully utilized and no significant emergency supplies were available to offset an interruption in O.P.E.C. oil. Hence, the O.P.E.C. countries felt strong enough to impose a cost structure on the industry and to set the market price of oil by fiat . . . .

"Over this period, the oil industry has not been a party to any negotiations that have dealt with the basic price of O.P.E.C. oil. The companies have stressed the economic consequences of excessively high prices and have urged moderation, but the O.P.E.C. countries have made it abundantly clear that export prices are their sole prerogative and not subject to negotiation with the oil companies. In reflecting on the efficacy of oil company negotiations, and on the respective roles of the companies and governments, this is a point which must be kept in mind."

Yes, you can imagine how angry Exxon is at its O.P.E.C. partners for raising the world price of crude oil by six hundred percent. Garvin undoubtedly whimpered and sniffed all the way to the bank. He is, incidentally, a member of the Rockefeller family's Council on Foreign Relations.

The Subcommittee on Monopolies of the House Judiciary Committee was also interested in the role of the Seven Sisters in establishing O.P.E.C. cartel prices. In Hearings concerning oil company joint ventures, Congressman John Seiberling of the Ohio tire family carried on a happy dialogue with William Lindenmuth, general manager of Mobil Oil's Middle East department:

"Seiberling: One of the major concerns of this committee is that the large oil companies, integrated companies, have been assisting the foreign cartels. I would like to ask you a question which is really based on an article which appeared in the *Wall Street Journal* of August 22 under the headline, 'OPEC Oil Prices Are Likely to Increase . . .' The article says:

" 'The idea behind the move is to *erase* the pricing disparities — and some of the incentives for price cheating — among the member states of the Organization of Petroleum Exporting Countries that have been hurt most by the world oil glut and their own slumps in oil output.'

"According to the article, American firms didn't participate because of a fear of violating the antitrust laws, but British Petroleum and Shell did. I'd just wondered if you were in the Middle East in joint ventures with British Petroleum and Shell; what information do you have on this reported activity by these companies in assisting the cartel in eliminating price cheating?"

Mr. Lindenmuth replied: "Mr. Chairman. I think the incident you are referring to, is that the Iranians had been made conscious and were indeed realizing it themselves, that the price of their crude oil was out of line and was relatively too high. Of course we were telling them all crude oil was too high, but their crude oils were out of line . . . .

"The Iranians said, 'We would like to understand this problem a little better. The extent to which our crude oil is out of line . . . . We would like to invite the consortium members to come out and explain it.'

"The American companies could not participate, and decided they could not and should not participate in that exercise. We would have had a lot to tell them but we decided we could not. Presumably the European companies are not laboring under the same restrictions and inhibitions in matters of antitrust that we are, they went out.

"Now to answer the last part of your question, we do not know — I certainly have not seen any minutes — we do not know precisely what — and indeed, I don't think they — BP and Shell, or whoever participated — have a very good feel for what the reaction of O.P.E.C. is going to be."

Yes, the Seven Sisters are just poor little lambs wandering helplessly among the vast sands of the Middle East. If some country breaks the price line, well one of their European partners will just run over and explain things. You *do* get the point.

But, as they say in the popular Country-and-Western song: "Nobody knows what goes on behind closed doors." We can't prove that the Seven Sisters are in bed with the sheiks, but with hundreds of billions of dollars involved it is hard to imagine they have been coy. In the absence of a smoking grease gun, however, one must check the circumstantial evidence. After all, if the honcho of Aramco meets with some super sheik to kick around heisting prices you can hardly expect him to invite along a reporter from the Associated Press to mix the martinis.

In order to judge just how sincere the Big Boys of international oil are in their claims that they are mere butterflies wafted along on the winds and breezes of O.P.E.C., we must consider the source. Many books have been written about the machinations of the oil biggies. In fact a complete revelation of just the *known* facts about the behind-the-scenes shenanigans and manipulations of the praetorians of petroleum would produce an encyclopedic mass. Space limitation forces us to deal only with a few historical illustrations which closely resemble the current situation in which the siren Sisters claim that there is a worldwide shortage of oil and therefore the price must soar.

The claim that we face a fantastic oil scarcity is not a new ploy from the good oil boys. In fact, they have played a variation on this theme *five* times previously. The scam works over and over because the oil potentates allow enough time to pass between the summer reruns so that almost everybody forgets the previous con. And, every time the Super Sisters bring the oil scarcity play to town, they change the scenery and dress the protagonists in new costumes so that only the most sophisticated will realize that they are watching a revival. As journalist Robert Sherrill has observed: "For fifty years the major international oil companies have manipulated prices in the United States — and recruited public opinion and government policy to support the manipulations — by a series of fear campaigns that have seldom been challenged."

The first oil scare was "The Crisis of 1914." This came just as Great Britain was about to enter World War I, having converted the Royal Navy from coal to oil, and required an uninterrupted supply of fuel oil. Britain — and France, too — were seen as ripe for the plucking. All the oil moguls needed to do was to present a gloomy picture of scarcity. This was not difficult to arrange. Standard Oil, reigning monarch of world oil at the time — citing statements from the U.S. Bureau of Mines, which has always been securely in the industry's pocket — announced that the U.S. was down to its last 517 billion barrels of oil reserves. It was said to be barely enough to last out the decade, and after that the energy cupboard would be bone dry. Oil had obviously become a precious commodity, and up went the price.

When the war ground to a halt in 1918 the oil companies, far from running out of oil, were stuck with a sticky surplus. The normal laws of supply and demand were likely to send the price plummeting. To avoid this marketing disaster, Standard and its allies contrived another "crisis" in 1920. This time they persuaded the U.S. Geological Survey to announce that domestic oil production would start to decline sharply within three years, with no hope of recovery. Shortages were reported all over the country in terms strikingly similar to those we hear today. Gasoline was actually rationed in California and Oregon. The trade magazine *Automotive Industries* of August 25, 1920, revealed: "It is alleged that the shortage of gasoline [*in California*] was fictitious and due to manipulation. Allegations are made that the refineries created the shortage by shipping gasoline from Los Angeles to northern parts of the state and then, after waiting until the price advanced, bringing it back again for sales purposes."*

It worked. When prices reached thirty-seven cents a gallon — which would be at least one dollar a gallon in today's money — the "shortage" disappeared. But only momentarily. The major American oil companies, especially the Rockefeller family's Standard Oil, were running into stiff competition overseas. By the early 1920s, British oil companies had cornered much of the potential production areas of the Middle East, and were making significant inroads into the oil territories of South America, Mexico, and the Dutch East Indies. Standard and the other American companies feared that they were going to be frozen out of the new supplies unless they could frighten the public into supporting a foreign policy that would help Standard and the other majors get foreign leases. For purposes of "national security," you understand.

The industry's flacks once again began to circulate rumors that we were rapidly running out of oil while the British were cornering the world's oil market. In fact, they claimed, we had only enough to last six years — after which we would be at the mercy of the English unless something drastic were done. These planted rumors were so successful that there was actually serious talk in Washington about having to go to war with Great Britain. (See Ludwell Denny's *We Fight For Oil.*) But the talk of war came to a grinding halt when the British, doubtless out of their notorious philanthropic generosity, decided to split their Mideast concessions with Standard Oil.

In *The Oil Trusts And Anglo-American Relations*, published in 1924, English journalists E.J. Davenport and Sidney Cooke cynically observed: "There is this strange habit peculiar to the American oil industry which one should observe in passing. Although it doubles its output roughly every ten years . . . it declares every other year that its peak of production has been passed and that its oil fields are well-nigh exhausted . . . . Nevertheless new pools are continually producing wells brought in to replace those declining, and each year the total output turns out to be surprisingly greater than the year before. One cannot doubt that the lugubrious prophecies of American oil men are in some way related to the wish for higher prices."

Two years later, Standard and her allies were having problems with the recalcitrant Mexicans, who doubtless wanted a bigger take for themselves and were getting uppity. The American oil companies pressured the State Department into strong-arming the Mexican Government to do as it was told. The pressure was justified on the usual prophecy that the U.S. had only enough oil to last another six years.

World War II in time filled peoples' memories with enough other things to think about so that the oil companies could run the "We're running out of oil" scenario once again. In 1947, the industry announced yet another "imminent shortage" as Standard Oil claimed it might not be able to pump a pint after 1955 be-

*In 1974, this same con was worked by keeping available stocks of oil in tankers. Free Market proponents will point out that higher prices always solve even created shortages. True. But one must allow for lead time as higher prices encourage the construction of new facilities to provide expanded production. When all that is necessary to end the shortage is to bring the tanker ashore, or to bring back oil stored out of the area, one might smell an oily rodent.

cause our wells were running dry. The only hope of preserving American industry and the mobility of the American motorist, Standard claimed, was to give the petroleum industry a free hand in the Middle East, backed up by the government, and to encourage the big oil companies with large tax benefits from their overseas operations.

Given the go-ahead by a dutiful American government, the major oil companies virtually swallowed up the Middle East oil reserves. One could obviously make a cogent case to back up this policy on the basis of national security. It is certainly better to have all that oil of the Middle East in the hands of the Seven Sisters than to have it in those of the Soviet Union. Keep in mind, however, that the same State Department which was giving Standard and her sisters *carte blanche* in the Middle East was at the same time carrying out a foreign policy which was turning over much of the world to the Soviet Union. "Our" State Department has long engaged in making the Soviets the threat they are today. And, as this author has detailed repeatedly in his articles and books, the oil companies have always been willing to play it very cozy with the Communists. National security or not, there is no reason to allow the Sisters permanently to blackmail the Western world. Meeting our need for national security is not a license to steal from the American consumer.

The major oil companies, as you see, have been brutally effective at having their cake and eating ours too. For example, the Big Oilys used their political muscle within the National Security Council in 1950 to get the N.S.C. to twist the arms of the Treasury to permit them to deduct from their U.S. taxes, on a dollar-for-dollar basis, all royalties paid to the Middle Eastern governments. Consider what this means:

If Standard leased some ground from farmer Brown in Texas to drill an oil well, the royalties paid to the good farmer would be deducted as a business expense. Although the corporate income tax has been bounced around from time to time, it generally hovers in the area of fifty percent. This means that a dollar royalty paid to farmer Brown actually costs Standard fifty cents. But a royalty paid to Abu Abubu Emir is deducted on a dollar-for-dollar basis and comes off the total owed Uncle Buckgrabber. This made foreign oil more profitable than domestic oil, and the majors followed these incentives and sank their funds into explorations around the Persian Gulf — largely neglecting oil exploration within the continental United States.

By the middle 1950s, the petroleum producers were awash in oil. They had been so tremendously successful in their search that there was a glut on the market. Worse, some of the larger independents were moving into drilling for oil in foreign fields and there was, once again, the threat of price competition. Now, the chief worry of the majors became keeping "cheap foreign oil" (read: the competition) out of the United States.

So in 1959, claiming that the U.S. domestic petroleum companies were imperiled by cheap imported oil, and that America would face a shortage of petroleum products because of the lack of domestic exploration, the multinational giants persuaded President Eisenhower to establish an oil-import quota which for a time allowed only a relative trickle of the foreign supply into this country. Chomp, chomp; it's great to have your cake and eat ours too.

This brings us to the establishment of O.P.E.C. and the current crisis. Throughout the Sixties the major problem of the oil industry was price-

reducing surpluses. Secret documents circulated in 1968 within the industry by Standard Oil of California reveal that petroleum leaders were gravely concerned about a "large potential surplus" through 1973, and the possibility that when oil began to flow out of the Arctic there would be "extending and magnifying surplus supply problems."* The officials of Standard of California proposed slashing production wherever possible. They were fearful that they could not make "politically palatable" cuts in production in Saudi Arabia and Iran, because the governments of those countries were getting restless. However, according to these private documents, the Standard officials thought they could get away with reductions in Egypt, Nigeria, Libya, Latin America, and Indonesia.

Meanwhile, all was kept quiet on the Western front. You will look in vain for any warnings in major publications of an impending squeeze.

While the public was basking in confidence that cheap petroleum would be available for the foreseeable future, the big oil companies began quietly buying up investments in alternative forms of energy. Consider Exxon, formerly Standard Oil of New Jersey — the original Rockefeller oil trust. It is not only the world's largest producer of crude oil, natural gas liquids, and natural gas, it is also the world's premier owner of refining capacity. After a coal-grabbing binge in the 1960s, it is now the fifth-largest holder of U.S. coal reserves. Exxon is also one of the top seven owners of uranium reserves, and recently announced plans to construct a uranium fabrication facility which

*You can understand why the industry did so little to fight the ecofreaks' five-year delay of the Alaskan pipeline. More oil was just what the Sisters did not want in the early 1970s. This also explains why so many oil companies and their related foundations actually contributed money to the anti-oil ecology movement. The Sierra Club has been as helpful to the petroleum majors as has O.P.E.C. Draw your own conclusions from the fact that the Rockefeller foundations were the leading supporters of the ecology movement.

may be the first such privately owned plant in the United States. Additionally, Exxon controls large reserves of oil shale and tar sands.

Texaco, which ranks second to Exxon in total assets among petroleum companies, also has major holdings in coal, oil shale, uranium, and tar sands. Mobil, number three in assets, is involved in producing all of the forms of energy except tar sands. Number four, Standard of California, is engaged in developing all of the alternative forms of energy except coal. Shell is involved in developing all the forms of energy, as are Atlantic Richfield, Continental Oil, and Phillips Petroleum.

It *is* lucky for the oil companies that they planned ahead during the 1960s and early 1970s. Acquiring all of these alternative energy supplies today would be far more expensive. But, with their running start, the major oil companies now control about forty percent of the domestic reserves of coal and about fifty percent of the known uranium reserves.*

Meanwhile, the oil potentates were assuring us that everything looked just swell on the energy front. Offers from Canada to export large amounts of oil to this country were turned down at the behest of the major oil companies. Canada found markets elsewhere and today exports very little petroleum to the United States. In the spring of 1969, M.A. Wright, chairman of the board of Humble Oil (Exxon) assured a Senate anti-trust Subcommittee that domestic fields, alone, would be able to meet eighty-two percent of American oil needs through 1985. Today, of course, with the "energy crisis" propaganda in full bloom, the industry has radically adjusted its predictions downward. Now the oil boys say domestic petroleum production will meet only fifty percent of America's needs in 1985. Apparently a few hundred million barrels of oil have evaporated.

During the halcyon days of the Sixties the surplus of petroleum produced steady prices and lots of benefits for the customers. There were all kinds of premiums and bonus stamps; there was even price competition stimulated by the independent producers, refiners, and retailers. In order to get rid of as much competition as possible before the great price heist of 1973 was launched, the majors were engaged in price wars against the independents. The latter were not in a strong position to withstand long-term price warfare with the vertically integrated major oil firms. The population of independent oil producers has dropped from twenty thousand to ten thousand in just fifteen years. Only after wiping out potential competition could the multinational oil companies be sure that their scare tactics about an "energy crisis" would be successful when the time was right.

By the early 1970s the Seven Sisters had their ducks all in a row and the squeeze began. Prices at the pump were raised a penny or so at a time. The major oil companies talked about pipeline breakdowns and cutbacks overseas and a supposed shortage of oil tankers. Not everyone was convinced.

*The federal government is also a major holder of energy resources. It is estimated that the government owns up to sixty-seven percent of the undiscovered oil reserves. It owns eighty percent of the high-grade oil shale, forty percent of the coal reserves, and about half of the high-quality uranium lands. Little wonder that the Rockefeller family has poured so many millions of dollars into the promotion of "preserving the wilderness." Those lands are loaded with underdeveloped energy sources which, if released, could break the energy cartel. So the Rockefellers use their multitude of family foundations to finance ecofreak efforts to lock up the land. (See the author's article in the October, 1978, *American Opinion*.)

After hearing oil industry testimony before a House investigating Committee in 1971, Congressman Silvio Conte concluded that the price of oil had not been pushed up by logical and justifiable conditions in the marketplace, but simply because "there was a conspiracy among the oil companies . . . ." As Conte put it: "It is either a conspiracy or a gross miscalculation by the oil companies. And I can't believe that the oil companies would miscalculate the situation, because they certainly have the finest backup force of any industry in the world, and they very, very seldom make a miscalculation."

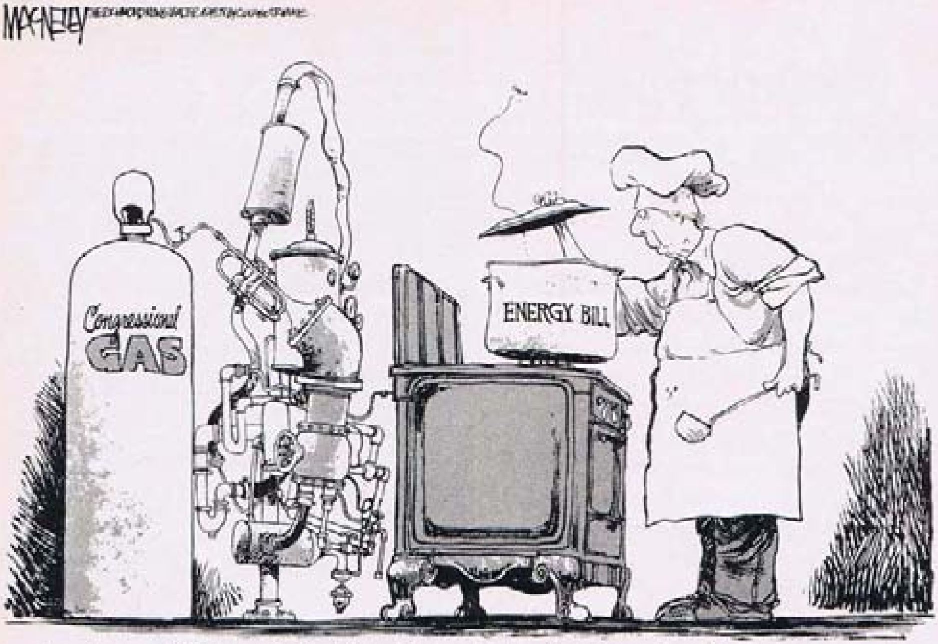
Beginning in 1971, the oil majors turned on the "scarcity" campaign with a vengeance and over the next year spent an incredible $137 million selling the public on the "crisis." After all, it would be hard to justify huge price increases unless consumers could be convinced that there really were shortages. But, in order to trigger really huge increases in the price of crude oil, the Seven Sisters needed a major international crisis. Conveniently, in October 1973, a war broke out between the Arabs and the Israelis. As fate would have it, the war started within a few months after the U.S. oil import quota program instituted in 1959 was ended. Now that O.P.E.C. was getting the prices up, the oil industry which had lobbied to get the quota program established, lobbied for its abolition so as to bring in unlimited amounts of overseas oil. Yes, the ducks were all in a row.

The Arab-Israeli War provided the excuse for an embargo because the U.S. was pro-Israel. President Nixon and the big oil companies played up the alleged shortages by informing the public that there was no way to offset the seventeen percent of America's oil which originated from the Persian Gulf area. However, that "seventeen percent" was, to put it politely, an exaggeration. The U.S. was importing only six percent of its oil from that area of the globe according to such sources as the Organization for Economic Cooperation and Development. Also, the embargoed Mideast oil could easily have been compensated for from other sources. Robert Stobauch, coordinator of the Harvard Business School Energy Project, revealed that the shutoff of Mideast petroleum shipments was not crucial because "about half of the non-Communist world's crude oil production outside of North America is controlled by eighteen U.S. headquartered oil companies, principally Exxon, Texaco, Gulf, Standard of California, and Mobil. These firms, along with other big oil companies such as British Petroleum and Royal Dutch Shell, can switch Arab oil to countries now using non-Arab oil, thereby making non-Arab oil available to the U.S."

The Netherlands, the other nation on the sheiks' nix list, did not suffer from the embargo at all. Jack Bax, a press aide for the city of Rotterdam, the largest oil port in Europe, told reporters: "Personally, I think the whole thing is a hoax."

The Shah of Iran, in whose country the Sisters had closed down seven large fields, also made it clear that the U.S. was being hoaxed. In referring to the Middle East embargo, the Shah asked TV interviewer Mike Wallace: "Why should you care about that [*the embargo*]? You are not short of oil." He went on to indicate that the U.S. could replace the oil lost in the embargo by increasing imports from other oil-producing countries. Asked if he believed the Seven Sisters were defrauding the public, the Shah answered: "Well, something is going on for sure."

That something was revealed by re-



porter George Wilson of the *Washington Post* on December 9, 1973, when he disclosed that, according to the American Petroleum Institute's own figures, the oil-producing biggies were pumping sixteen percent less oil from American wells than they were capable of producing immediately. A month earlier it was learned that the U.S. companies had been *exporting* oil at a rate five times their normal level.

While America's newspapers were full of advertisements tub-thumping the energy crisis, there was no scarcity in Europe, where the price of petroleum products has always been significantly higher than in the United States. On May 15, 1973, Amoco (Standard of Indiana) placed a full-page ad in the *London Financial Times* soliciting new industrial customers and promising "secure" supplies. Five days later Amoco bought a two-page advertisement in the *Washington Star* explaining that its American customers "would have to get by with a little less for a while, so there'll be enough to go around." During March 1974, when lines at gas stations in this country were stretching for blocks, oil brokers in Vienna reported that American-based petroleum companies had offered two million tons of crude in European markets at prices below the then-current market price.

Two economists employed by the Federal Power Commission admitted in testimony before the Senate Antitrust and Monopoly Subcommittee that the giant oil companies were withholding from production huge quantities of petroleum on eight hundred thousand leased acres off the coasts of Louisiana and Texas.

While the major oil companies were staging their supply and price show they were also using the artificial shortages of 1973 to apply the *coups de grâce* to competing independent refiners and retailers who were always threatening cartel prices with their nasty price wars. The majors selectively shut off the tap and more than a thousand dealers went out of business.

It is claimed that a penny added to the price of a gallon of gasoline results in a billion dollars of extra revenue for the oil companies. When enough pennies were added to the price of petrol, the phony shortage disappeared. Result: The gasoline we used to buy for thirty-four cents a gallon now costs seventy cents, and will probably be going up a few pennies more in the next several months. Meanwhile, profits of the cartelists have skyrocketed. Embarrassed international oil companies have had their accountants busy figuring out ways to hide as much of the profits as possible, not only for tax purposes but to try to keep the political heat as low as is feasible.

The major oil companies have been the obvious beneficiaries of "The Great Energy Crisis" as billions of dollars of consumer funds have been diverted to gasoline from spending on the myriad of alternatives. The potentates of the camel kingdoms have also been beneficiaries. But the biggest winners in this sinister hustle have been the New York megabanks. Like Exxon, Standard of California, Standard of Indiana, and Mobil, the New York superbanks are well within the Rockefeller orbit. Citicorp (First National City Bank) and the venerable Chase Manhattan are obviously Rockefeller institutions; but, for all practical purposes, so are the other major New York banks. Not only do all of them have representatives on the Rockefeller family's Council on Foreign Relations, which determines U.S. foreign policy, but they are virtually one entity. This was confirmed in the *Washington Post* of January 19, 1978. Basing its account on a 235-page report prepared by the Congressional Research Service, the *Post* observed:

"The nation's biggest banks don't quite own each other, but they come close to it, a voluminous new Senate study indicates. The leading banks in America are so closely tied together that they control the biggest blocks of stock in each other's parent holding companies. For instance, America's second biggest bank in terms of assets, New York's Citibank, is owned by Citicorp. But the Morgan Guaranty Trust Company is the major 'stockvoter' in Citicorp. So, too, for most of the other mammoth banks in New York. Morgan Guaranty holds — and has the power to vote — more stock in the companies that own Manufacturers Hanover Trust Company (No. 4 nationally), Chemical Bank (No. 6), and Bankers Trust Company (No. 7), than any other known investor.

"In turn, most of the same New York sister banks — plus the Rockefeller Family's Chase Manhattan (No. 3) — control the biggest blocks of stock in J.P. Morgan and Company, the holding company that owns Morgan Guaranty. Citibank, Chase Manhattan, Manufacturers Hanover, and Bankers Trust are, in that order, the leading stockholders, and voters, at J.P. Morgan. The most influential money manager of all the nation's banks, although it is only Number 5 in terms of assets, Morgan Guaranty is also the biggest 'stockvoter' in Bankamerica Corporation whose Bank of America is No. 1."

Yes, the banks are one big happy family, and the giant oil companies are an important part of that family. Sixteen of the directors of First National City Bank sit on the boards of seven different oil companies. The Chemical Bank has ten directors from seven different oil companies. The megabanks are also major owners of stock in the major multinational oil companies. Keep in mind that five percent of the stock in a huge, publicly owned corporation is considered to be an effective controlling interest.

Amazing how it works. The Chase Manhattan Bank owns 4.1 percent of Exxon, 5.5 percent of Mobil, 1.6 percent of Standard of Ohio, 4.8 percent of Atlantic Richfield, and 1.6 percent of Standard of Indiana. Morgan Guaranty owns 2.4 percent of Exxon and 5.2 percent of Gulf, as well as percentages of small companies. Manufacturers Hanover has 1.8 percent of Exxon and 4.8 percent of Shell.

Actually, this is only a hint of the reality since much of the stock is held in the names of nominees. A 1976 Report by the Senate Special Subcommittee on Integrated Oil Operations explains:

"For example, Cede & Co. is reported as a stockholder for 14 of the 20 largest firms. Cede & Co. is a clearing house for stock sellers and is listed as a representative for various banks and brokers, including the New York Exchange and the Stock Clearing Corp. Thus, the actual owners remain unknown.

"A further complication exists in determining ownership. Occidental Petroleum Corp., for example, lists five stockholders as owning 1 percent or more of their common stock. Occidental Petroleum also provided a breakdown of shares held in the name of Cede & Co., its largest stockholder. Among the 154 firms listed for Cede & Co., were Merrill Lynch, Pierce Fenner and Smith, Inc., the Chase Manhattan Bank, Bankers Trust Co., and Manufacturers Hanover Trust Co., five of the major organizations owning stock in the largest petroleum firms. Merrill Lynch is listed by Occidental Petroleum as owning 853,921 shares, but another 3,742,293 shares are owned by Merrill Lynch in the name of Cede & Co.

"Almost all of the major organizations owning stock in two or more of the largest petroleum firms are either nominees or brokers which, according to the response given by Standard Oil of California, 'typically do hold stock for the account of and subject to the instructions of other beneficial owners for whom the nominee registration serves as a convenience.' Pitt & Co., and Sior & Co. are nominees for Bankers Trust Co.; Cudd & Co., and Kane & Co. are nominees for the Chase Manhattan Bank; Sigler & Co. is a nominee for Manufacturers Hanover Trust Co.; Lerche & Co. is a nominee for the Bank of New York; Whitelaw & Co. is a nominee for the National City Bank of Cleveland. Thus, there are basically only eight recorded stockholders (all large institutional investors) which own 1 or more percent of the outstanding common stock of 2 or more of the 20 largest petroleum firms."

Possibly even more important in the controlling of oil company policy is the fact that the trust departments of the New York megabanks hold the voting rights on millions of shares of oil company stocks. The stocks are technically owned by the huge corporate and union pension funds which are managed by the banks' trust departments, but the banks vote the stock at the corporations' annual stockholder meetings.

Yet another way in which the giant international banks manipulate the policies of the oil companies is through debt. If a bank lends a company millions of dollars, it quite naturally acquires a say in the way that company is run. According to the Senate Special Subcommittee Report the following oil companies owe banks funds stated in millions of dollars:

Atlantic Richfield: *Morgan Guaranty, $32.5; Chase Manhattan, $28.4.* ***Cities Service:*** *Chase Manhattan, $21.* ***Continental Oil:*** *Chase Manhattan, $50.5; First National City*

*Bank, $43.3; Morgan Guaranty, $28.5; Bankers Trust, $25.5.** ***Getty Oil:*** *Chase Manhattan, $13.5.* ***Skelly Oil (Getty):*** *Morgan Guaranty, $25.* ***Gulf Oil:*** *Chase Manhattan, $21.5.* ***Marathon Oil:*** *Chase Manhattan, $6.1.* ***Mobil Oil:*** *First National City Bank, $96.* ***Occidental:*** *First National City Bank, $18.6; Chase Manhattan, $11.4.* ***Phillips Petroleum:*** *First National City Bank, $78.1; Chase Manhattan, $33.9.* ***Standard Oil of Ohio:*** *Morgan Guaranty, $26.1; Chase Manhattan, $15.3; Chemical Bank, $11.2.* ***Sun Oil:*** *Chase Manhattan, $14.2.* ***Texaco:*** *Bankers Trust, $27; First National City Bank, $18.6.*

The Bankers Trust has loaned a total of $73 million to three oil companies. The Chase Manhattan has loaned $458 million to nine oil companies. The Chemical Bank has loaned $55 million to two oil companies. The First National City Bank has loaned $389 million to eight oil companies. Morgan Guaranty has loaned five oil companies a total of $132 million.

Before we discuss the benefits of the staged "energy crisis" for the megabanks, we should mention that the megabanks are not only heavily interlocked with the oil companies, the oil companies are heavily interlocked among themselves. A 1976 Report issued by the House Subcommittee on Monopolies and Commercial Law states:

"Virtually all aspects of petroleum production involve substantial joint venture partnership arrangements among the various corporate entities which constitute the industry . . . . Every significant petroleum producer is involved in these joint ventures. The industry's largest integrated firms, such as Exxon, Texaco, Mobil, Gulf, Amoco, and Arco, share joint partnership interests with each other and with other big and small producers alike. Established partnership patterns tend to carry over from exploration, to development, to production.

"In addition to a highly integrated sellers' market at the production level, the major producers have joined together to own and operate the crude oil and product pipelines which transport the great bulk of our oil supplies from producing fields to markets. Virtually all of the integrated petroleum companies hold joint interests with others in the transportation network that moves crude oil and products from producing regions to refineries and markets."

So now you understand how the energy cartelists do it. Let's consider some of the consequences.

Before the Seven Sisters and O.P.E.C. pulled off the great price holdup, the Western industrial nations were spending twenty billion dollars a year for O.P.E.C. oil. Now they are spending one hundred billion dollars, and an eighty billion a year increase in sales is not bad. Some of that money goes back to the producing countries in the form of products manufactured in the importing nations, but the Arabs are earning far more money than they can spend. From 1974 to 1976 the advanced nations ran a cumulative deficit to O.P.E.C. countries of sixty-two billion dollars, and a Report issued by the Senate Foreign Relations Committee estimates that the West may run up a forty billion a year deficit for the next two decades.

What do the Arabs do with this mountain of money which is continuously piling up in their accounts? Much of it winds up deposited in the vaults of the overseas branches of the New York megabanks. These banks then lend and invest such funds.

*Continental is the largest owner of coal reserves among the oil companies.

In 1960, only eight U.S. banks had overseas branches, with total assets of $3.5 billion. By 1972, just as the "energy crisis" was beginning, 108 of our banks had 627 overseas branches, with assets of $90 billion. In June 1976, this had multiplied to $181 billion — a sum equal to twenty-six percent of total U.S. bank assets.

Two-thirds of the overseas banking activity is concentrated in just a dozen megabanks. Foreign operations have become as important for those banks as their domestic operations. In terms of earnings, and that is the name of the game, the foreign tail now wags the domestic dog. Citicorp, the lesser known but largest of the Rockefeller family's New York superbanks, earned seventy percent of its total 1976 income from its overseas operations. Bankers Trust, another New York biggie, garnered sixty-two percent of its earnings from outside U.S. borders. J.P. Morgan earned fifty-three percent of its total income overseas, and Manufacturers Hanover fifty-six percent. The Chemical Bank's offshore earnings were forty-four percent. But, leading the pack were our friends at Chase Manhattan, where seventy-eight percent of all earnings came from foreign sources.

Taking these Big Six banks, we find that in 1976 they earned $640 million overseas. At home these same Big Six earned $364 million. In other words, almost two-thirds of their profits came via their foreign operations. To a great extent these are now American banks only in the sense that they are headquartered in New York City, which is still within the borders of the United States. But you can bet your last Deutsche mark or Swiss franc that their heart is where their profits are. Given this little fact of life, the political leverage these banks are able to exert in Washington to influence American foreign policy becomes very important.

As the *Insiders* of high finance and big oil have made their O.P.E.C. partners enormously wealthy through their "energy crisis" ploy, they have also tied the dollar to a lead balloon. The larger our balance of trade deficit, the lower the dollar sinks in comparison with other currencies.*

As these so-called petrodollars become deposited in the overseas branches of the American megabanks, they become what are known as Eurodollars. These dollars are used as a base to make loans well in excess of the deposits, and where countries require no fixed reserve at all they are used as an excuse to balloon lending into the stratosphere. This has become the basis of much of the world's inflation. The more inflation caused by the Eurodollar, the more speculators bet against the buck. In fact, many believe it is the megabanks that are *leading* the speculation against the dollar. A former employee of Morgan Guaranty had admitted to knowledge of these highly profitable assaults on the dollar by that bank. The story attracted very little attention in the national news media.

As the value of our dollars evaporates, the O.P.E.C. countries want more of them for their oil. Thus the continuing threat from O.P.E.C. to raise prices. It is a vicious circle, and American consumers are caught in the middle of it.

Now the Arabs are talking about ditching the dollar altogether in favor

*Some believe that it is inflation which is killing the dollar and not the balance of payments deficits. They point out that both Japan and West Germany import more oil than the U.S. does, yet they have a positive balance of payments. True enough. They have more-efficient economies than we do. Still, if we were not needlessly buying half of our oil from overseas, our problems would not be of nearly the magnitude that they are.

of a basket of currencies. This not only provides a tremendous profit opportunity for those on the inside, it could lead to the adoption of a world currency. The international banking fraternity has had a world currency as a primary goal for many years as a major step toward World Government.

For obvious reasons it is essential that we get out of the two-handed grip of the international bankers and the international oil giants who have created the energy cartel. Many on the Left advocate that the government step in and break up the oil companies. This is very tempting, sometimes even for those of us who believe in private enterprise. After all, the Seven Sisters, taking their cue from the original John D. Rockefeller, have long been monopolists rather than Free Enterprisers. The major oil companies, along with the international bankers, have been the top betrayers of Free Enterprise.

Outright socialists advocate a government takeover of the oil companies. Which would *really* create an energy crisis.

Others advocate various forms of divestiture under the anti-trust acts. It might be possible for some Americanists to support partial divestiture — not on the basis of the anti-trust laws, which are philosophically unsupportable, but on the basis of criminal acts involving conspiracy. One could certainly make a case that many of the assets of the Seven Sisters have been acquired through fraud or theft. It is also possible to make a case that the alternative energy sources acquired by the Sisters, as part of their conspiracy to raise petroleum prices, should be sold off. Otherwise there is little incentive for the Seven Sisters, after all, to develop such sources as fusion energy, the breeder reactor, or any other system which might seriously undersell their lucrative oil business.

But, all this talk about breaking up the Sisterhood is dubious theory at best. The power that the oil companies and banks have over public opinion through the mass media, which they dominate through allied banks, foundations, and other Establishment institutions, is likely to prevent any authentic breakup. Oh, "Liberals" will do a lot of talking about it, but David Rockefeller still owns Jimmy Carter, body and soul.

Then what should we do? The secret to the monopoly of the Sisters is that they have used government regulation to enhance and protect their own positions and at the same time stifle competitors. The potential energy in our country, both conventional and in new alternative forms, is enormous. The way to break the energy cartel is to make these new forms (and old forms in government hands as well) available by getting government out of the way.

While big-time oil officials occasionally issue a press release containing a ritual gripe about bureaucracy, the brutal and unhappy truth is that the majors have always been in favor of government controls over petroleum. This is because the giants of oil have long dominated the regulatory agencies and used them to stifle competition and gain advantages over the independents. Even at this juncture, key elements in big oil are promoting more government, not less.

The February 1976 issue of the very Establishment *Fortune* magazine, for instance, carries an article entitled "My Case For National Planning." It is by Thornton Bradshaw, president of Atlantic Richfield, the nation's ninth-largest oil company. Bradshaw claims that government planning "is the only way we can save the enterprise system." He explains: "What I am suggesting is that the enterprise system cannot function properly without the right kind of government intervention, at the right time and in the right degree." If you can't figure out what Bradshaw means by the right kind and right degree of government intervention, then you'd better stay out of poker games with guys named Ace.

Big Business loves Big Government. After the House passed President Carter's disastrous energy package, and before the Senate could act on it, thirty-one corporations — including such giants as Exxon, General Motors, AT&T, and General Electric — spent $280,000 to place a full-page advertisement in papers and magazines across the country calling for Senate passage of the bill. The corporate biggies claimed that the public should get behind the Carter energy measure because "energy is not a political issue. It's an issue of survival." In the advertisement the corporations "pledge" to help conserve energy and to work with the government "to reach the goal of a national energy policy that is fair to all."

Not a word was said about the disastrous effect of this measure on energy *production*. The fact that our energy crisis is an energy *production* crisis — that it is contrived — was ignored.

The one thing which the Sisterhood fears is a free competitive market in which smaller, aggressive, and innovative companies could out-maneuver the powerful but ponderous giants. One technical breakthrough in the use of tar sand, oil shale, liquifying coal, fusion energy, the breeder reactor, or hydrogen could cost the oil giants billions of dollars in much the same way that development of the gasoline engine made steam power obsolete. Such breakthroughs should be encouraged instead of being stifled by government.

But it is not necessary to rely on a technological breakthrough to save us from the energy cartel. Independent studies have shown that minimally we have a 130-year supply of petroleum and 200 years of natural gas, exclusive of coal, shale, and tar-sands developments. But we are not developing these resources, because the Seven Sisters have funded the radical ecology movement through their foundations, and the ecology lobby has in turn established a maze of bureaucratic control which has frustrated energy developments.

While the "Liberal" community debates with itself on how to break up the oil cartel, the one thing that is never mentioned is the one thing which the cartel obviously fears the most — a free market in energy. The one form of regulation which these operators cannot control is no regulation at all. Certainly most of the anti-oil policies being considered are motivated by a desire to punish the major oil companies. One can sympathize, but we must be careful not to cut off petroleum's nose to spite our nation's best interest. We do not suggest that a Free Market would force Exxon into the bankruptcy courts. Probably it would not. But we guarantee it would break the oligopolistic control by the Big Sisters and substantially reduce the cost of producing everything we buy. The important thing is that America have access to large amounts of energy priced as low as is feasible. Only the Free Market can do that. ■ ■

CRACKER BARREL

■ A Boston insurance executive claimed after a vacation in the sun that his tan had cost him $580 per square inch.

■ Pity the poor moth; he spends the summer in a fur coat and the winter in a bathing suit.