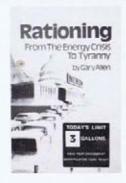


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About this article...



Rationing: From The Energy Crisis To Tyranny, which proves that the fuel shortage was deliberately contrived by Insiders in industry, the mass media, and government, first appeared in the January 1974 issue of American Opinion magazine. Additional copies of this copyrighted article are available at the following prices: Less than 100, four for one dollar; 100 to 499, twenty cents each; 500 to 999, eighteen cents each; 1,000 or more, fifteen cents each.

Why has America, the land of abundance, suddenly become a country of shortages and scarcity? In this powerful companion piece to his article on rationing, Gary Allen demonstrates that the present crisis was carefully engineered for one reason: to justify increased federal controls of our economy.

Shortages: The Politics Of Scarcity proves that more controls can only mean more shortages. And that the only way to stop this crisis is to expose its creators. Order copies today of this important article, available at the following prices: Less than 100, five for one dollar; 100 to 999, sixteen cents each; 1,000 or more, fourteen cents each.





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RATIONING

From The Energy Crisis To Tyranny

Gary Allen, a graduate of Stanford University, is the author of several bestselling books, including Communist Revolution In The Streets; Nixon's Palace
Guard; None Dare Call It Conspiracy;
and, Richard Nixon: The Man Behind
The Mask, the definitive study of the
ambition and conspiratorial activities of
our current President. Mr. Allen, a former
instructor of history and English, is active
in numerous humanitarian, anti-Communist, and business enterprises. A film writer, author, and journalist, he is a Contributing Editor to American Opinion.

■ JAMES Reston stared over his type-writer, looking out the window of his elegant high-rise apartment at the lights on the Potomac. Stroking the silk sleeves of his smoking jacket, he reflected that life is indeed good. As well it should be for one in his position. After all, as the premier political columnist of the New York Times, he is the most important pundit of the American Establishment. When the power brokers have a message to be sold, "Scotty" Reston is the boy who delivers it first.

Reston could convince Eskimos that the North Pole has become a tropical paradise. He could persuade Raquel Welch that she has become anemic. Sure of his talent, secure in his position, he has sold us such Establishment programs of the year as "poverty" and "Civil Rights" and "campus activists" and "the Peace movement" and "ecology." Now that America is for the most part disengaged from Vietnam, his readers expected a few years of peace and quiet. After "Civil Rights" demonstrations, poverty march-

es, ghetto burnings, and peace riots, America seemed due for a shot of normalcy. Unfortunately, Scotty Reston has a new assignment. And, if he can sell this one, he can sell anything.

Reston shoved a sheet of paper into his I.B.M. Selectric, then looked at the clock. In an hour he must be at a cocktail party with the beautiful people. But first he must complete his syndicated column which, courtesy of the New York Times News Service, appears in the nation's most important dailies. He shivered slightly and turned the thermostat up to a toasty seventy-five degrees. The keys began to snap and clack:

Washington. - The craziest notion that has hit this country in a long while - and we've had quite a few nutty notions lately - is that shortages of gas, beef and a lot of other things are bad for the American people.

What America really needs is more shortages. It is not our shortages but our surpluses that are hurting us. Too much gas, too much booze, too much money, talk, noise, and — fire me tomorrow! — too much newsprint are our problem

Yes, you read that correctly. James Reston of the New York Times says that what we need are more shortages. Shortages, like playing for a losing football team, build character. Other people's character. Shortages are actually good for you! That is the new, official line of the "Liberal" Establishment for 1974. Of

course, the worthies clamoring for you to take a hacksaw to your own standard of living are themselves living very well. And they expect to continue to do so, thank you.

But already the echo of the Reston Thesis can be heard throughout the land, having become a favorite theme of the spider networks and the "Liberal" editorial pages from Long Island to Catalina. A few years ago these media parrots were telling us of the misery of America's poor, now they are pontificating in grandiloquent squawks that poverty is a patriotic virtue.

In an article called "Running Out Of Everything," Newsweek lists some of the categories of products it is suddenly good for us to do without:

Plastics. Shortages of key raw materials, mostly petroleum-based, could mean fewer new record releases and higher prices for toys, appliances, furniture and many other products.

Paper. Newspapers are cutting coverage to save paper. U.S. newsprint supplies are very low and strikes have cut imports from Canada. Book publishers are conserving paper, too.

Glass Products. Production is down because ingredients are harder to get, but the biggest problem is a shortage of cardboard boxes for shipping.

Canned Food, Price controls often made canned foods more attractive than fresh fruits and vegetables. Thus demand soared, sharply depleting inventories. Salmon and peaches are scarce.

Home Freezers. Inflation-wary shoppers want to freeze now instead of paying more later. The boom in sales means shortages for another six months.

Clothing. Shortages of cotton, wool and synthetic fibers will cause clothing prices to rise 10 percent next year. Sheets, towels and blankets will be costlier, too. Blue jeans are in short supply, and so is leather for belts and shoes.

Sporting Goods. Bicycles and tennis balls will be in short supply for eight to twelve months as companies race to catch up with huge and unexpected increases in demand. Prices will rise.

Furniture. Plastic lamps are scarce and so are those made of white metal, a product using zinc.

Paints. Shortages on the retail level are expected next year because paint makers have trouble getting pigments and other ingredients.

Antifreeze. A lack of key chemicals has held back production. Drivers in Alaska may not have enough to last the winter, while shortages are already being reported in the Midwest.

Less frantic, U.S. News & World Report expresses it more succinctly (and with some duplications):

Among shortages affecting industrial producers: Petrochemicals used in plastics, paper, paint, synthetic fibers. Caustic soda for textile processing. Corrugated boxes. Copper wire. Newsprint, other printing paper. Rags for making shop towels. Cork. Insulation materials. Utility poles. Toilet fixtures for new homes. Cotton and wool for clothing manufacture.

Shortages hitting some consumers: Various foods, including white potatoes, raisins, red salmon, corn syrup, sauerkraut, shrimp, grapes, apples, canned okra, pickled peaches. Diapers. Farmers' baling wire. Fishworms. Food freezers. Blue jeans. Aspirin. Braided wool rugs. Yes, we have no bananas, steaks, eggs, blue jeans, candles, gas, tennis balls, freezers, wheat, leather, air conditioners, fuel oil, pyjamas, floor covering, sardines, chicken, paper, hot water bottles...

But the American economy is the most intricate tapestry ever woven. Creating a shortage can be like knocking over the first in a line of dominoes. For example, plastics are made from petroleum. A modern automobile contains 138 pounds of plastic. No plastic, no modern automobiles - and where the chain reaction stops, nobody knows. Some thirty plastics plants in the Northeast recently closed their doors in the wake of petrochemical shortages. The anticipated fifteen percent cutback in this industry alone could mean the loss of 1.6 million jobs and \$65 billion from America's gross national product.

Semiconductor manufacturers, short of capacity to meet resurgent demand, can't increase output because of a shortage of test machines that depend upon semiconductors; a company in Ohio drilling for natural gas can't increase its operations because the pipe it needs is produced in plants that can't get enough natural gas to fuel its production. Sometimes, a substitute can conveniently be found. But when there are simultaneous shortages of keystone commodities, the

economy can be greased for a fast ride into depression.

At the core of the crisis is energy. And at the heart of energy is petroleum, which is the source of gasoline, Diesel fuel, and heating oil. We are told that Americans could be as much as twenty percent short of the petroleum needed to power our cars, heat our homes, and stoke the furnaces of our power plants. How did we get into this mess?

The Truth About Oil

Contrary to the incantations of the Reston doomsayers, America is not running out of oil. As Don Oakley of the Copley News Service notes: "For every one of the billions upon billions of barrels of petroleum the United States has consumed since Colonel Drake drilled the first well in 1859, at least another barrel remains in the ground." According to John Knight, editorial chairman of the Knight Newspapers: "A figure of 100 billion barrels is offered as conservative, although some studies place the figure at several hundred billion barrels excluding shale oil."

Get that! We are sitting on several hundred billion barrels excluding shale. The United States consumes about six billion barrels of oil a year.

Shale oil is oil locked up in porous rock. The Interior Department estimates our "easily" recoverable shale oil at eighty billion barrels, and shale oil recoverable with intensive technology at six hundred billion barrels. Total shale oil potential is estimated at seven trillion barrels. The six hundred billion barrels that appear to be recoverable are enough to last one hundred years at the present rate of consumption. However, most U.S. shale resources are on federal lands in Wyoming, Colorado, and Utah. None is yet being produced commercially because the federal government is still dragging its feet.

Fortunately enough, America is not dependent upon wrenching oil from rocks for petroleum energy. There is oil all around us waiting to be pumped from the ground. Here are a few samples. The Los Angeles Herald Examiner of July 20, 1970, reports:

The untouched Los Angeles basin just offshore Malibu, Santa Monica, and the beaches southward to Palos Verdes probably holds an oil and gas potential in excess of 75 billion barrels, an "educated guess" of petroleum geologists reported here today.

This basin probably offers three quarters of some 100 billion barrels of oil-rich potential lying offshore Western states from Mexico to Washington.

The same article tells us that the National Petroleum Council believes that an additional 12.6 billion barrels lie beneath California's vegetable-covered San Joaquin Valley. And all of the oil is not in the West. According to the Los Angeles Times of October 21, 1973: "... the U.S. Geological Survey estimates the potential [off the East Coast] at 48 billion bar-

rels...." And U.S. News & World Report of December 3, 1973, adds: "Offshore oil fields in the Gulf of Mexico Continental Shelf hold reserves estimated at 116 billion barrels."

We are literally surrounded by oil. According to U.S. News for November 22, 1971, our total offshore oil reserves amount to approximately 780 billion barrels. This does not, of course, include the estimated twenty billion barrels said to be under Alaska. Counting only the offshore oil and the Alaskan reserves, the United States has eight hundred billion barrels of oil reserves. At the current rate of consumption, my calculator says that this is enough oil to last to the year 2107. That is a lot longer than any of us are going to last. Surely we can produce alternative forms of power and energy in that amount of time!

There is also an incredible amount of oil available in our own Hemisphere. According to U.S. News & World Report for December 3, 1973, "In Venezuela, Ecuador and Alberta, Canada, lie a potential 1.3 trillion barrels of oil awaiting exploitation." I don't even know how to calculate the number of years that would last, but the message is obvious: We don't really need oil from the Arabs, the Russians, or anyone else!

Why then is the corner petrol emporium closed, and why are the teeth of so many of us chattering as we play dominoes by candle light? The answer is that just as a bird in the bush is not a bird in the hand, oil in the ground is not gas in the tank or fuel in the furnace.

Why is it, asks economist Tom Rose, that after over three hundred years of continuous material progress in America, without fuel shortages, we should suddenly stumble upon an energy crisis in 1973? If America has abundant fuel supplies, why aren't they abundantly available? Could it be, asks Professor Rose, that the historical process by which these supplies have been made available has changed? He observes:







The gasoline crisis was artificially created. Although we consume 6 billion barrels of oil a year, some 780 billion barrels are awaiting development along our coasts alone. But the government has almost completely stopped the drilling of new offshore wells because of a highly publicized spill in California — one of only three

out of 14,000 drilled. This spill was also used to justify passage of the National Environmental Policy Act, which has been employed to stop development of virtually all forms of energy including an Alaska pipeline which otherwise would now be delivering the million barrels of crude oil per day that we have been importing from the Middle East. Having systematically created this energy crisis, the masters of our government will now use it to make themselves more powerful by rationing fuels (as during wartime below).



JANUARY, 1974

Historically, energy in America has been supplied by profit-seeking private entrepreneurs and profitoriented corporations. These risktakers have invested millions and millions of dollars every year in their long-range plans to supply the ever-growing energy needs of the American people, Historically, they have adjusted their production plans to price signals received through the competitive marketplace. For over three centuries this free market process has been eminently successful. And competing sources of energy have always been in abundant supply at reasonable prices.

In recent decades, however, the bureaucrats and the politicians have thrust themselves into the market process. As Professor Rose notes, "during the last two or three decades - especially since 1955 when the FPC [Federal Power Commission] started controlling the wellhead price of gas and oil - energy suppliers have faced non-market signals. . . . Neither the Mideast war nor American prosperity has caused our present energy crisis. It was caused by political meddling. Increased political-direction of legitimate business activities instead of profit-direction is at the heart of our problem. And recurrent crises won't be eliminated until Washington's political control is removed."

The Ecology Con

One of the major excuses for the massive interference by government in the development and marketing of energy resources has been the ecology movement. The "crisis" used to strangle development of offshore oil was the Santa Barbara oil spill of 1969. The "Liberal" media presented the Santa Barbara spill as if it were a greater disaster than the bubonic plague. Television newswatchers were nightly treated to heart-rending

closeups of gooey sea gulls covered with crude oil. Millions of youths were cranked up to swell the mobs of ecology freaks marching to scrape the gulls or to save the grasshopper or whatever their leaders might assure them would guarantee a return to Eden.

A study of the Santa Barbara spill was subsequently undertaken by forty leading scientists under the direction of Dr. Dale Straughan, a marine biologist from the University of Southern California. This \$250,000 study produced a 900-page report which declared: "Not only had overall damage by the spill been greatly overestimated, but where damage had been done, nature had returned it to normal." For centuries crude oil has been an influence in the channel systems of the area, with natural seeps off Coal Oil Point pouring out as much as 160 barrels of crude petroleum per day. In such circumstances a spill, although far from desirable, was hardly an ecological disaster. The conclusions of the report were:

and vegetable plankton were observed. No damage from the oil spill could be found on sandy beaches.

The Channel fish catch was actually found to have been greater in a six-month period following the oil spill than in a comparable period the year before. Nor had the spill decimated the bird population. Of the 12,000 birds in the Channel at the time of the spill, 3,500 died from all causes. Yet by May, the bird population had risen to 85,000 because of seasonal migrations.

The conclusions of Dr. Straughan and his team became one of the biggest secrets since the whereabouts of Judge Crater. The Brinkleys, Cronkites, and others who had made a national horror story of the unfortunate spill were so busy beating the drums to stop all offshore drilling that they didn't have time to



"But Mr. President, sir, I don't think it's possible to build a coal-burning bomber."

cover the less dramatic, truthful story of what really happened in Santa Barbara. They were too preoccupied with promoting a shortage-producing power grab by government to report that out of approximately fourteen thousand off-shore wells which have been drilled, there have been a grand total of three — yes, three — serious oil spills.

The phony propaganda from the Santa Barbara spill was used as an excuse by the Nixon Administration to cancel leases and strangle offshore oil and gas drilling, not only in the Santa Barbara Channel. but around the nation. Just as it had done time and time again, the Administration surrendered to the cries of the mob and kept silent about the known facts. While consumption of petroleum and gas was jumping every year, the Nixon poohbahs put the lid on expansion of supply. Anybody who has plodded his way through elementary economics knows that if you increase demand while you freeze supplies, the inevitable result will be shortages. The masters of Nixonomics knew what they were doing, and they did it anyway.

But the cancellation of leases for offshore drilling was not the only coup that the creators of our shortages promoted out of the Santa Barbara oil spill. In the wake of this "ecological disaster," Senator Henry Jackson of Washington was able to put through his oft-defeated bill to establish a national policy on environmental protection and to create the Council on Environmental Quality. The law seemed innocent enough at first glance. But, as Dan Smoot relates in his brilliant new book, The Business End Of Government:

...it was a sleeper, as activist attorneys exultantly called it after it was safely on the statute books. This legislation provided the activists with legal standing to make court attacks against major business activities throughout the United States...

The environmental-policy law

left the definition of environment so vague and open-ended that it gave federal courts almost limitless power to veto the actions of Executive agencies and the laws of Congress. No business can initiate a major activity without first dealing with a government agency of some kind - about permits, licenses, rights-of-way leases, land leases, use of public thoroughfares, and so on, Any group of two or more people willing to post a small bond and engage an attorney can bring court action against a governmental agency, alleging that, in granting permission for a business activity, the agency failed to file an adequate environmental-impact statement as required by the National Environmental Policy Act of 1969. They can demand a court injunction to halt the business activity until the government agency files an adequate impact statement and suggests an alternative approach.

Ecomaniacs have used the Jackson Bill to halt development of virtually all sources of energy. They have stopped construction of electric power plants, strangled the expansion of the coal industry, and thrown a monkey wrench in plans for nuclear power plants. There are now thirty-one nuclear power plants in operation - and Ralph Nader and Friends Of The Earth are engaged in active campaigns to close twenty of them. Current estimates are that the environmentalists will be able to delay the construction of twenty-three desperately needed nuclear power plants for as long as three years, costing utility companies as much as six billion dollars for each year of delay . . . six billion dollars a year that will be paid by the consumer.

The Jackson Bill, which Richard Nixon refused to veto, was used to delay the construction of the Alaskan pipeline for an incredible five years. Under the guise of keeping the tundra virginal for the dainty hooves of caribou, the ecomaniacs tied up the pipeline project in the courts. A pipeline across the tundra is about as consequential and conspicuous as a thread stretching from the first to the eighteenth hole of a golf course, but the Jackson Environment Law gave the radicals legal standing.

Stung by public outrage, Congress has recently acted to allow the contractors to begin construction of the pipeline, so we can look forward to crude pouring out the end of that pipeline sometime in 1978. But had the Nixon Administration not gone smilingly down to defeat at the hands of the ecomaniacs, Alaskan crude would be flowing into refineries at the rate of one million barrels a day, which just happens to be almost the same amount that the U.S. has been importing from the Middle East. Needless to say, the Sierra Clubbers are about as popular in Alaska as Bobby Riggs at a baby shower for Gloria Steinem.

Clearly, the energy shortage has been artificially created.

One of the most obvious moves in this effort to create artificial shortages of petroleum was taken in June 1970, when President Nixon issued an Executive Order which created the Environmental Protection Agency to enforce the Clean Air Act and related laws. A preliminary Report on Mr. Nixon's 9,000-man E.P.A. has now been issued by the House Appropriation Subcommittee, which declares:

The subcommittee is convinced that the Environmental Protection Agency has played a major role in the current energy crisis. The approval by the agency of overly restrictive state plans, which call for the meeting of primary and secondary ambient air standards at the same time, has resulted in the need for the industry to convert from coal to low sulfur fuels. This

increased requirement for oil and gas has been a major contributor to our current fuel problems.

In addition, the automobile emission control standards imposed by the agency have greatly increased the requirements for gasoline, which is also in short supply and will probably require rationing.

Mr. Nixon's Environmental Protection Agency has forced auto manufacturers to pile all kinds of gas-eating gadgets onto our motors in the name of controlling air pollution. The net result has been a drop of at least twenty percent in mileage. And considering the near impossibility of keeping such engines properly tuned, the loss may be as high as fifty percent. Even the Mobil Economy Run has been cancelled because the new cars get such bad mileage that the whole business became an embarrassment to the sponsor. Owners of some of the 1974 intermediates are reporting mileage of only eight or nine miles to the gallon.

According to Shirley Scheibla, Barron's Washington editor, the gadgets applied to our cars by the E.P.A. now result in the use of 300,000 extra barrels of gasoline a day; by 1980, the controls will require the consumption of an added two million gallons of gasoline a day. Meanwhile, federally required reduction of lead in gasoline has reduced fuel efficiency by twenty percent. And, no two experts even seem to agree on whether the required gadgetry actually decreases pollution. Some think that the net effect is an increase. We don't pretend to know, but it seems to us that if our car is burning up to twice as much gasoline the net amount of pollutants has probably been increased. Common sense should have dictated that air-pollution devices not be installed until sufficient testing was completed to find out if they really help or hurt. But common sense does not dictate government policy, and the real objective was not clean air but a creation of shortages in energy to justify a further expansion of government control.

Another ecology-related development is that over the past ten years only one refinery has been constructed in the United States. During the first half of the decade a chronic oversupply of low-cost petroleum products discouraged the building of additional refinery capacity. but as demand began to escalate the "Liberal" media began to promote ecology to the point of fanaticism. The ideal of American youth became a society that would reject the automobile in favor of old Dobbin, shoe leather, or a pogo stick. Whenever an oil company wanted to build a refinery, the local chapter of Bug Chasers Anonymous would dip into its tax-free kitty and hire a team of radical lawyers to lead the ecology waltz. Construction was halted while the long dance through the courts went on and on.

Thus the oil shortage was to a great extent a refinery shortage. The Wall Street Journal of November 14, 1973, reports:

A quarter-century ago, the U.S. had more than 400 refineries. To-day, the refineries are bigger but number only 250. The combined capacity is 13 million barrels a day. That's four million barrels a day less than Americans consume in petroleum products. The difference has been made up of imports.

Another artificial policy which discouraged the development of refining capacity was import controls which effectively banned foreign crude from entering American ports. Not until May of 1973 did President Nixon loosen import controls. The oil companies responded with the announcement of plans for a spate of new refineries. But, even if the oil companies can escape being roped and hogtied by suits from the ecology claque, it will be three years before these new refineries (which cost about \$200 million

each) can begin to produce. To make things worse, the Arab boycott has so stimulated worldwide competition for crude that the Wall Street Journal of November 14, 1973, reports that many companies are delaying construction for fear that because of created shortages there might not be any petroleum to refine.

If these same oil companies were allowed to develop our own resources, the fear of having new refineries standing empty for lack of crude would evaporate like gasoline in the hot sun. The companies know it. They apparently believe that the government means to increase its suffocating control, not to withdraw it.

Radical Economics

Wage and price controls have been yet another artificial factor in creating the energy and related crises. Currently the energy industry is laboring under Phase IV, the remnant of a "grand experiment" launched in August of 1971. Human Events of November 17, 1973, explains one result:

Because price controls were imposed in the summer when fuel oil prices were at a seasonal low, the oil companies had little incentive to produce enough fuel oil. As a result, the fuel-oil shortage developed in the winter of 1972-73. Then, when the refineries moved to reduce this shortage, production of gasoline suffered, which helped bring on the shortages of the past summer.

Under Phase IV, the cost of Americanproduced oil is held to an average of four dollars per barrel while it sells for up to six dollars on world markets. This has given U.S. oil producers an incentive to export rather than import. American exports of fuel oil, amounting to 53.3 million gallons for 1973, are three times those of 1972. The economics of all this are simple enough. Columnist-commentator Paul Harvey summarized the effects of wage and price controls on the economy as follows:

The consumer price index – the prices you pay for most things – downtrended from early 1970 until August, 1971. By mid-1972, prices were uptrending. By mid-1973 prices were skyrocketing. The turnaround – from down to up – coincided with the very toughest of Phase 2 price controls! Controlled prices now have soared higher than during any uncontrolled period in our history!

This is why the A:F.L.-C.I.O., the U.S. Chamber of Commerce and the National Association of Manufacturers are urging an immediate end to all price controls. They create shortages. They worsen the fever they are intended to remedy....

It is difficult for the proponents of government regulation to realize that government can ensure low prices only on what is not available. What use is that? Peg egg prices at fifty cents per dozen and farmers will eat their hens. What good are low egg prices and no eggs?

What applies to eggs also applies to energy-related resources as to everything else. And, as we noted earlier, these created shortages are related.

About Natural Gas

The created shortage of fuel oil is made worse by the created shortage of natural gas. And, as with oil, the shortage of natural gas is an artificial one. United Press reported on November 25, 1973:

The Federal Power Commission (FPC) estimates the proven and potential reserves of natural gas in the United States at 1.15 quadrillion cubic feet, excluding Alaska, which is not yet producing. That is many times as much as has been consumed in the nation's entire history to date.

The FPC estimates 31.5 trillion cubic feet of natural gas reserves in Alaska, plus 366 trillion cubic feet

potentially.

In other words, we have enough natural gas to last for many years. Which is important, because this fuel is American industry's chief source of energy, supplying forty-nine percent of our needs. It also provides sixty percent of the requirements of commercial enterprises, fifty-two percent of residential needs, and twenty-four percent of power requirements in the generation of electricity. Stanton Evans, the thoughtful editor of the *Indianapolis News*, explains why we face natural gas shortages even though this vital resource is available in abundance:

Reasons for this calamity are not far to seek: since 1955, the Federal Power Commission (FPC) in its wisdom has regulated the price of natural gas at the wellhead, as an allegedly humane piece of political business.

The artificially low price has encouraged the widespread consumption cited above, while depriving developers of capital and incentives to explore for new reserves. The result is that demand has far outstripped supply and chances for appreciable enlargement of our natural gas resources are virtually nil.

Such an outcome could have been predicted by any competent economist who understands the working of the price system, since it is precisely the function of rising or falling prices to clear the market, and any effort to hold a price below its natural level will create a tendency toward shortage.

The operation of this process was traced in detail two years ago by Paul MacAvoy of the Massachusetts Institute of Technology. In a meticulous analysis for *The Journal Of Law And Economics*, MacAvoy demonstrated that ceiling prices for natural gas "have added to demand and reduced supplies of new reserves..." He estimated that, in the absence of controls, new reserve findings would have been *forty percent higher*.

And that is only the beginning. This exercise in federal regulation has also contributed to the ruination of the coal business, since the ridiculously low price of natural gas made it more economic than coal and drove out the latter as a source of energy, adding to other regulatory woes of the coal producers. A study by the Chase Manhattan Bank sums up the marketing situation as follows:

. . . The coal industry was dealt a devastating blow by the rapidly expanding invasion of its . . . markets by exceedingly low priced natural gas Unable to compete in terms of price, the coal industry experienced a large-scale loss of markets. With declining markets and a very low price received for the coal it was still able to sell, the industry had neither the financial means nor the productive capacity. Indeed, it was not even able to maintain existing capacity, as it continued to encounter rising costs of operation.

The impending shortfall of natural gas has also accelerated our dependence on oil and will eventually raise our need for oil by some four million barrels a day beyond the level it would otherwise have reached. The government regulation of our abundant natural gas has fouled not one energy resource but three. Thus it is

the government - and those behind it who have pushed these policies - which has created the energy crisis.

Reasons And Excuses

Oh, but how to explain it all? Conspirators are not fond of saying, Mea culpa. With America caught cold by shortages resulting from their own outrageous energy policies, collectivists have been delighted to blame the energy "crisis" they created on the situation in the Middle East. About thirty percent of America's oil is imported, and approximately ten percent of that has come from the Arab bloc. But, when the latest Arab-Israeli War broke out, the Arabs drastically cut back on oil exports to Western Europe and Japan as well as to the United States. This greatly increased the competition in the world for oil from non-Arab sources. and that competition has increased America's difficulty in importing oil.

While the Arabs have been unable to make the desert bloom, they have (with the help of American technology) made it gush oil. People with strong pro-Israel sympathies are influential in Western politics, mass communications, and finance. The Arabs have fought back with an oil embargo, the most powerful weapon they have at their disposal. Yet, without getting into the incredibly complicated reasons for the Middle East conflict, at least one point is clear: Without price controls and the ecology madness, our Alaska or offshore resources could easily have made the Arab boycott an exercise in futility. Obviously the boycott is more excuse than reason for what has been done to us. And it has been done on purpose.

The game works like this: Having systematically created this energy crisis, the masters of our government will now come to our rescue by making themselves more powerful. After a Hearing lasting only two days, the Senate passed the National Energy Emergency Act of 1973, which gives the President sweeping powers to deal with the fuel crisis. Ironi-

cally, the Senators and Congressmen who have been loudest during recent months in denouncing President Nixon as a power-mad dictator were first in line to vote him dictatorial power.

Human Events commented that "instead of solving the emergency now facing the public, [the Act] is quite likely to seriously aggravate it. In conjunction with wage and price controls...[it] takes this country a giant step closer toward socialism and a centrally directed economy." The Act gives the President total power over the economy. It directs Mr. Nixon to establish a national program to conserve scarce energy resources "through mandatory and voluntary rationing." According to Human Events:

The President is granted life and death powers over the fuels used by businesses, public services and individuals. He is directed to fix priorities on fuel consumption. He is given authority over "transport control." He can force oil fields and refineries to produce at a quantity desired by the Administration. He can regulate commercial use of fuel, and even direct companies to use only certain kinds of energy resources.

The bill, "coincidentally" the work of the same Senator Jackson who authored the earlier environmental law which did so much to create the problem, gives the President such broad and far-reaching power that, says one Washington newspaper, "there would seem to be no area of the economy the President couldn't interfere with." This law gives the Executive "more authority over the livelihoods of the American people than it has ever possessed in peacetime. This measure is nothing less than an economic Gulf of Tonkin, which will take hundreds of thousands of Gauleiters to enforce it properly." The federal Gauleiters may soon be swarming the nation, swooping

into people's homes and businesses to make sure that nobody is wasting any of Big Brother's energy. One California politician even seriously advocated giving a traffic ticket to any driver caught on the freeway without passengers in his car. His solution was mandatory car pools.

Where From Here?

While the National Emergency Energy Act of 1973 gives the President enormous powers over the lives and life-styles of the American people, it does almost nothing to cure the real causes of the energy crisis which we have discussed. The politicians won't even stop wasting the thousands of gallons of gas they use every day in the senseless bussing of children back and forth across town for racist purposes. The Act does little or nothing about the harassment of energy production by the ecology fanatics and the Environmental Protection Agency, the sabotage of offshore drilling, or the disruptive effect of wage and price controls.

Even so, and grave as the situation is, the energy crisis could be the forerunner of a far greater crisis - one of revolutionary proportions. We are already far too familiar with Mr. Nixon's fuel and power decrees - closing gas stations on Sunday, a fifty miles per hour speed limit, the turning of thermostats down to sixtyeight degrees, etc. And, as I write, practically nobody believes that these will be sufficient. Everyone from George Mc-Govern to David Rockefeller is urging Richard Nixon to forget volunteerism and get down to the rationing. Just as he did when the same crowd was proposing the disastrous wage and price controls, Mr. Nixon is playing the reluctant dragon. But you can bet your last tankful of ethyl that he will soon smile, accept defeat, and institute rationing on top of the already existing price controls.

Gasoline rationing may well have been announced before you read this. On November 28, 1973, the Associated Press quoted an unnamed member of Mr. Nixon's "Cabinet-level energy group" as stating: "Almost everybody is leaning toward rationing." We are told that three alternatives are under consideration. They are rationing, higher gasoline taxes, and (way down the list) the free market.

The Nixonites are reported to be considering a forty-cent a gallon tax on gasoline as I write. Boosting the price to eighty-five or ninety cents a gallon would certainly reduce consumption, but as many have pointed out the tax would hurt the poor and the middle-class. In theory, the wealthy will buy all the gas they want regardless of the price. Because of this the Nixon people claim that they could never get Congress to approve all of the necessary gas tax. Which is Mr. Nixon's way of telegraphing the inevitability of rationing.

Of course, there is a much more cogent reason for not using a surtax to reduce consumption. While such a tax would dramatically raise the price of every product or service that is transported over the roads, it would theoretically raise \$32 billion per year for federal coffers. Yet it would not do the one thing which must be done. That is, it will not encourage an increase in the supply of gasoline. The only way to cure shortages is to give producers incentives to increase production. Since the surtax would not increase supplies it would be likely to last forever. What is involved here is a fundamental difference in philosophies between those who believe in free markets and those who advocate government controls. Free enterprisers believe in multiplying wealth to increase supplies while socialists are concerned about dividing and allocating reduced supplies. The difference is that between abundance and shortage.

The enforced "equality" of rationing provides its chief appeal for demagogues. Its chief appeal to politicians and bureaucrats is that it gives them tremendous discretionary power. As the Wall Street Journal has commented:

Rationing is absolutely the worst way to deal with fuel shortages. Any system that can be devised by Washington bureaucrats would have to be based on equal treatment for Americans, within broad priority pigeonholes. And while Americans may be born equal, we doubt there are any two of them with precisely the same legitimate energy requirements. Rationing would impose the grossest kinds of inequities on people and the crudest kinds of inefficiencies on the economy....

Rationing worked after a fashion during World War II, but...the economy was wholly geared to the war effort.

Peacetime rationing is quite another matter, and if we're to have it, we had best import several battalions of Soviet bureaucrats who have 56 years experience in allocating material and only foul up half the time. While rationing seems the fair and equitable thing to the cherubs in Washington who have shown their stuff on wage and price controls, in practice we foresee a monumental snafu.

Time magazine of December 3, 1973, provides an excellent description of the problems of gas rationing. We quote at length:

The complexities would be horrifying. To begin with, how would
the basic ration be apportioned? If
each car got a ration, as in World
War II, the self-indulgent, three-car
family (which scarcely existed then)
could drive three times as much as
the family that had held down
traffic congestion and air pollution
by using only one auto. If every
driver received coupons, the family
with four licensed drivers — husband, wife and two teen-agers —
would get four times as much gas as

the family in which Dad did all the driving. Rations could be allotted by family unit — but what constitutes a "family"? Would the 20-year-old Harvard sophomore get his own ration, or would he be forced to share coupons with his parents in San Diego? Government planners have not even begun to figure out how rationing would be applied to the car-rental business.

Beyond that, how could "need to drive" be decided? Does the suburbanite who lives five miles from a railroad station where commuter service is infrequent and erratic "have" to drive to work? Is a weekly 20-mile trip to a psychiatrist's office essential, and if so, for whom — only those who suffer severe mental illness, or people troubled by vague anxieties? The inescapable need to adjudicate such questions would give the Government decision-making power over minute details of people's lives.

The nation barely tolerated such regulation even in World War II. drastically Gas rationing then slashed driving (no wonder: the basic ration fluctuated between two and four gallons per week). But even in a society not yet wedded to the road, and moved by intense feelings of patriotism, rationing prompted outraged howls about unfairness. Worse, rationing led to widespread cheating. Most drivers broke the rules, if only by slipping occasional coupons to "a friend."

Presumably, rationing would work somewhat as it did in World War II. There would be a basic allowance, currently pegged by planners at around ten gallons per week. That would permit the average car to be driven about 130 miles, but some Cadillac owners could go only 80 miles while some Datsun drivers could roll 290 miles.

People who could demonstrate a need to drive — the Nevada rancher, say, who lives 50 miles from the nearest church — would get extra rations. Doctors, plumbers, salesmen and others whose cars are absolutely vital to their jobs would get still more. Truck lines and bus companies would get unlimited rations. Some 6,000 local boards, consisting of both unpaid volunteers, and full-time paid workers, would decide who got how much.

Rationing, economists have known since the time of Adam Smith, guarantees two things: shortages and black markets. The shortages appear because there is no incentive to increase production and the black market arises when it becomes the only free market. A national newsmagazine has already reported that a criminal syndicate has lined up printing firms to produce counterfeit ration coupons.

How long would such rationing last? The Wall Street Journal of November 20, 1973, tells us this: "Since no energy surplus is in sight this side of the development of nuclear fusion, there will be no time at which the end of rationing will be politically logical. If politicians will not let the price of fuel go up now, why should we expect them to be braver later on? So if temporary rationing is imposed, it will be succeeded by Phase 2 rationing and Phase 3 rationing and on and on through the decade. But as we have so painfully learned with price controls, no group of bureaucrats is wise enough to take the place of market mechanisms in curbing wasteful use of resources with minimum economic disruption."

The great tragedy is that the only solution which is receiving no serious consideration is that solution which alone could solve the energy crisis: Let the free market allocate scarce resources. The

argument against the free market is the same as against the surtax — the higher prices will hurt the poor. Temporarily this will be true. But the alternative is a regulated economy with perpetual shortages which in the long run will doom the poor and rich alike.

The Left squeaks that, if the free market were allowed to deal with the problem, energy companies might make a "windfall profit." Horror of absolute horrors! We certainly wouldn't want anybody to make a profit in solving the problem of shortages created by the government. Professor Paul McCracken, who was an economic advisor to President Nixon until he could no longer stomach the perversions of Nixonomics, points up what is likely to happen:

The major weakness of the rationing approach is that it slows down the process of curing the problem. Businessmen inevitably will be reluctant to commit capital for products that are to be sold in a rationed market. It is one thing to bet one's ability to match wits with market forces and quite another to bet against the vagaries of government decision making. Rationing, which starts out as a holding action during a shortage, will ineluctably prolong the shortage.

As we observed in the beginning of this article, the energy shortage is going to reverberate through the economy causing shortages and unemployment in hundreds of other fields. If the controls are not lifted, permitting reality and sanity to function in the marketplace, the result will be a serious depression. And, as the energy crisis produces its chain reaction of shortages, the same schemers and demagogues who created the problems in the first place will cry for rationing of more and more commodities. Soon our standard of living will be at a fraction of what it is today. With

transportation in the hands of the federal government, Americans will lose their precious freedom of movement. Also high on the list of items to be rationed will be paper, already scarce because of environmental controls and other federal interference. When the government begins ration-allotments of paper it will have in its hands a *de facto* form of censorship which will be adjudged constitutional. Only approved publications will get paper.

And there is an ultimate shortage. As commentator Don Bell notes, "there already exists an alleged energy crisis insofar as fuel for motors and heaters is concerned; and there is scheduled an energy crisis insofar as fuel for human beings is concerned. Just as gasoline supplies energy for a motor, food supplies energy for a worker; one is a natural resource, and the Elitists intend to control both. History has proved that the surest way to control people is to control their food supply."

Mr. Nixon arranged to have America robbed of her food reserves through vast credit shipments of our grains to Russia and Red China. He created further shortages through price controls which not only reduced food production but, through reduction of the output of chemical fertilizer, have cut the potential for production. Now U.S. farmers are likely to be deprived of vital fuel supplies through rationing. And, if as a result Mr. Nixon can begin food rationing, the collectivists will hold a gun at the head of every man, woman, and child who eats. The warnings have for months been blowing in the wind. A U.P.I. story from Washington datelined July 9, 1973, reported:

An expert on world food production believes Americans soon may be forced to ration the food they eat in order to maintain exports and the value of the dollar abroad. Lester R. Brown, an economist for the nonprofit Overseas Development Council, said yesterday that domestic food rationing would be a better alternative to President Nixon's proposed controls on exports. Brown directed international agriculture development for the Agriculture Department from 1966 to 1969....

A week later, Mr. Brown was predicting "chronic tight supplies of food and competition for those supplies." According to the New York Times: "Mr. Brown suggested that the United States support the idea of world food security. He backed a plan by the United Nations Food and Agriculture Organization calling for governments to retain certain minimum food stock levels for international emergencies."

Brown's plan has Big Time backing, At the last meeting of the international money managers, held at Nairobi, Kenya, Robert Strange McNamara of the World Bank proposed that in addition to a world money bank there should be established a world food bank, and it was suggested that the food bank be set up at Nairobi under the auspices of an "international authority." As usual, the United States would be expected to make the major deposits and foreign nations would make the withdrawals as supervised by Insiders of the international Establishment. As of December 1973, at least, that is the scenario. And the men grabbing for control of the world will make it a reality (as they did in creating the energy crisis) if free Americans don't do the educational job necessary to stop them. Our leaders are taking major steps on the road to serfdom. If we don't stop them now, we won't stop them.

This is not an empty warning. When we wrote last spring that shortages and rationing were coming, many of our readers thought we were being ridiculous. Consider what has happened during the last six months.

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