

The Cost Of Carter's Program To The U.S. Economy

Many industry leaders are foolishly commending President Carter for taking the long-awaited initiative on energy conservation — reserving their criticisms for the parts of the energy package which will cripple their respective industries directly. But senior people at the same corporations, in strictly off-the-record comments, are denouncing the Carter package as a non-policy, which is anti-growth, anti-industry and will be the death of technological progress and capital formation. Such sentiments were publicly reflected in a major attack on neo-Malthusianism by the Wall Street Journal on April 22. The editorial said there are sufficient reserves of oil and gas to get us through to fusion power and warned that the Carter energy program “will lead not only to dim lights but to a dark age.”

The fact that business layers are having such thoughts is sufficient proof of the incompetence of the Carter Administration's claim that its program won't destroy the U.S. economy and of its blatherings that the program will even add so many tenths of a percent to GNP growth and 100,000 jobs by 1985. The fact is that all linear projections of the impact of the program on the economy are a calculated fraud. Carter's non-program has already had a devastating impact on business confidence, which can't be measured in any computer model. Everyone in the manufacturing industries knows this and will ignore the various computer projections in making key business decisions.

The program's clear bias against capital-intensive industry and the immense uncertainty surrounding the program — including the expectations that it will entail months and even years of Congressional debate — will have the instantaneous effect of postponing U.S. industry's meager capital investment plans indefinitely. Econometrician Michael Evans reflected the perplexed state of U.S. businessmen recently when he pointed out that anyone with plans to build a new factory doesn't even know what kind of heat to put in now.

In the face of the gigantic monkey wrench Carter has thrown into the economy, Brookings Institution economist Arthur Okun's projection that, in sum, the energy package will add 1 to 1.5 percent to the consumer price index per year, or Citibank economist Leif Olsen's considered opinion that the program will have no major impact, are downright ludicrous.

Somewhat more reflective of reality, the stock market fell 16 points in the two days following the President's energy speech to Congress; and in recent days all news of the “recovery” — the big rise in housing starts in March, the lower-than-feared March inflation rate, etc. — has been drowned out by the fears about the energy program and its implications for inflation and capital investment.

The essence of Carter's energy package is that it is a raw materials control program, and as such must be grossly inflationary over the long-run. Carter's adherence to the Ford Foundation script in scrapping pluto-

nium reprocessing and the government's fast breeder reactor program, and his failure to even mention fusion power in his April 20 address, condemn the economy to a future of scarcity and rising prices for energy and all raw materials.

Every feature of the Carter program follows from the policy of limiting raw material supplies. The scheme devised by the Rockefeller Brothers Fund of raising domestic oil prices through a federal well-head tax and levying additional taxes on industries which persist in consuming oil and natural gas will have the wasteful effect of discouraging capital-intensive industry in favor of unproductive labor-intensive production. The only precedent for Carter's energy taxes is the gabelle and other taxes imposed by history's bankrupt monarchs to replenish their empty coffers. Carter's grand scheme of putting the billions of dollars in federal tax revenues back into the economy via rebates to consumers is a fraud, as everyone is beginning to suspect. The funds will be earmarked for “welfare reform,” Treasury Secretary Blumenthal's Urban Development Bank, and other funds for bailing out debt-laden cities and industries — and the New York banks.

On the basis of a survey of U.S. corporations, Townsend-Greenspan, the New York-based consulting firm, concluded last winter that most corporations think it's only a matter of time before inflation accelerates and the economy will be back in recession; therefore, why invest in new capacity which will only come on stream when the economy is in the midst of a new recession? The prospect of Carter's energy program alone will exacerbate this cycle.

While it's hard to take the insulation program seriously, the result of such a program would be to channel more funds out of useful capital investment into pure waste spending. This pie-in-the-sky boondoggle would dwarf the last decade's spending on pollution control and other environmental control claptrap — spending which diverted resources away from the development and application of more advanced technologies that would have really solved the environmental problems.

Carter's program will ensure that domestic oil and gas reserves lie undeveloped, not because the program doesn't provide for immediate decontrol of prices, as the oil industry is protesting, but because of the general inflationary character of the program. The promise of an eventual \$13.50 a barrel price on newly discovered oil will simply be insufficient to encourage new exploration and development under conditions of general inflation and rising interest rates.

As if the penalties on factories and utilities that don't switch from natural gas to coal were not enough to phase out natural gas as an energy source, Carter's decision to bring intrastate natural gas (gas produced and sold within the same state) under price controls, reducing the price from the present more than \$2.00 per thousand cubic feet (mcf) to a maximum of \$1.75 per mcf, will wipe

out the independent gas producers in Texas, Louisiana, and Oklahoma who have played an important role in the new discoveries of natural gas. Needless to say, Carter's program singles out the natural-gas based southwestern economy for special attack.

While the long-term impact of such a program would be unmitigated disaster, the short-term impact of the program — even of the announcement of the program — is serious enough. Writing in the *New York Times* on April 21, Leonard Silk simply took for granted that the program would be inflationary and hinted that Federal Reserve Chairman Arthur Burns — an enthusiastic supporter of Carter's "conservation" program — would not respond to the escalating energy prices by reining in the money supply. Back in 1974 in the wake of the 400 percent increase in oil prices, Burns tried to curb inflation, Silk wrote, "and therefore helped bring on the recession of 1974-75." With men like Burns at the helm, it's no wonder that U.S. businessmen are already terrified of renewed inflation and that the interest rate structure will soon rise accordingly.

According to computations of Data Resources in Cam-

bridge, by 1980 the cost of the various fuel taxes — the tax raising domestic crude oil to world prices, the penalty on the industrial use of oil and gas, and the gasoline and "gas-guzzler" taxes — will amount to \$37 billion a year. Data Resources also predicts that in the first year in which the gasoline and gas-guzzler tax would be in effect, Detroit would sell 200,000 fewer cars. Executives at Ford Motor company are predicting, off the record, that the added \$.05 per gallon in year one of the gasoline tax would produce a 4 percent drop in auto sales. It's no wonder then that Detroit is presently haunted by the memories of the production cuts and unemployment lines that followed the 1973 Oil Embargo.

Sensing what the real mood of U.S. industry must be following Carter's energy address, the enterprising Trinidad and Tobago Industrial Development Corporation placed an ad in the U.S. financial press explicitly addressed to energy-intensive U.S. corporations inviting them to come to the islands where natural gas and offshore oil are abundant, and deep water port facilities are newly constructed, and the sentiments are decidedly pro-growth.

Fusion Pioneer Gough: Utilities See Fusion As 'Next Major Base Load Energy Source'

The following speech was delivered by William C. Gough, Program Manager for Fusion Power, New Energy Resources Department, of the Electric Power Research Institute to the American Power Conference in Chicago on April 18.

During the 1950s and 1960s a modest but determined research effort was underway to assess the possibility of generating power from an unlimited energy source by fusing light elements such as the isotopes of hydrogen. The goal was to harness the same energy source that powers our sun and the stars, and was demonstrated on earth in 1952 by the massive energy release of the hydrogen bomb.

Today, as we draw nearer to this goal, fusion energy deserves careful attention by the utility industry. Progress in the 1970s has been rapid. The federal government's fusion program has expanded by an order of magnitude. The U.S. program is coupled to a closely cooperative and growing worldwide research and development effort currently about \$2 billion per year. A combined Electric Power Research Institute-utility effort of about \$6 million per year, representing the user input into the fusion program, assures that the industry will be accurately informed of developments in this major energy area.

This paper will examine the prospects for utility application of fusion power. Several points will be emphasized, including progress to date, the critical phase that fusion research and development effort is entering,

the urgent need for the utility industry to assure that a useful product will evolve, the multiple uses of this primary energy source, and its role in the energy supply of the future.

Progress Toward Fusion

To generate power from fusion, three factors must be achieved simultaneously. Sufficient fuel must be held at high temperatures long enough to produce net energy, ... the steady and encouraging progression of experimental results that are drawing closer to achieving the "energy breakeven". Fusion experiments at near reactor densities routinely operate up to temperatures of 130,000,000 centigrade. This is about 15 times the temperature of the center of the sun — more than adequate for a fusion reactor. The plasma has been confined in fusion experiments at loss rates quite adequate for fusion power plants, assuming current plasma scaling laws hold. Several devices which will be close to or equal to the goal of "energy breakeven" are under construction or being designed for operation in the early 1980s. These experiments cost up to a quarter of a billion dollars each. Thus, we conclude that fusion is within seven years of a major research goal — the demonstration of a fusion reactor core....

The Critical Phase

Fusion power development is entering its most critical phase. The physics goals of the program are now within reach, the plasma physics community is confident that