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Editorial

Time for a real oil policy

Speaking in late February at our Houston conference on the water resources crisis, *EIR* founder Lyndon H. LaRouche, Jr. put forward an outline proposal for the role of the U.S. oil majors in solving the second great resources challenge of the 1980s: the energy crisis.

An equitable price for oil and a healthy rate of crude production can once again be realized, said LaRouche, on the basis of new, bilateral treaty arrangements between the American multinationals and the producing nations in the developing world. These treaties would emphasize a commitment to the near-term switchover of the world economy to a nuclear-energy base, and the use of world oil supplies for the buildup of petrochemical industries. That switchover can be accomplished, LaRouche stressed, only within the context of a policy of low interest and plentiful credit for development and trade.

LaRouche's proposal, first developed during the energy crisis-wracked 1970s, is particularly timely at this moment, when the same City of London-centered forces that subjected the world to gas lines and tripling of energy prices since 1973 are preparing to deliver a third oil shock to the world economy: a price drop of $5 to $15 a barrel, a halving of the world oil price.

The push for lower oil prices—which prompted *EIR*'s cover story this week—caught many by surprise, especially after years of being told by the multis, their banks, and their think tanks that the world does not have enough oil. However, the high-interest-rate regime of U.S. Federal Reserve Chairman Paul Volcker, on top of a decade of oil-price jack-ups, has created an oversupply relative to diminished demand, referred to in the press repeatedly as an "oil glut," allowing the London-dominated multinationals to dump stocks of oil onto the Rotterdam spot market at prices below those established by the OPEC producers. Continued dumping can, and will, lead to an oil crisis in reverse: the plummeting of energy prices internationally.

What does London have to gain from a third shock to world energy-pricing structures? The price hikes of the 1970s not only redounded to the financial advantage of such London-dominated institutions as Chase Manhattan and Citibank, which were flooded with petrodollar deposits. The first two shocks satisfied the more important strategic goal of the energy-price manipulators as well; this goal, detailed in the *1980s Project* reports by the New York Council on Foreign Relations, was the "controlled disintegration" of the world economy.

What London hopes to gain from the third energy shock are the final steps in this controlled disintegration process: the broad-scale depopulation of the Third World, and the breaking of the OPEC cartel as a force in the world economy. A collapse in world oil prices will swiftly accomplish these objectives. It will collapse the revenues of developing-sector oil producers, principally Mexico, Nigeria, and Indonesia and force abandonment of these nations' development programs. It will break OPEC, one of the last remaining counterpoles to London's complete domination of world energy supplies.

The seriousness of the threat of a third oil shock was indicated March 26, when the Saudis, who had issued a stern warning against British Petroleum's attacks on OPEC-member Nigeria's sales position at the cartel's meeting a week before, reprimanded the British multis in stronger terms than ever before. The Saudis announced that any oil company which continues to cut its purchases of Nigerian crude will be subject to an embargo of direct and indirect sales from Saudi Arabia.

The strong tone of the Saudi warning is a good indicator of the ferocity of the British-led attack against OPEC, an attack which can be expected to continue unabated. If this attack is successful, a further consequence of the third oil shock and the disintegration of OPEC, whose dollar surpluses have provided the critical margin of liquidity to an overextended world monetary system throughout the 1970s, will be a global banking crisis that the managers of controlled disintegration will find quite uncontrollable.

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