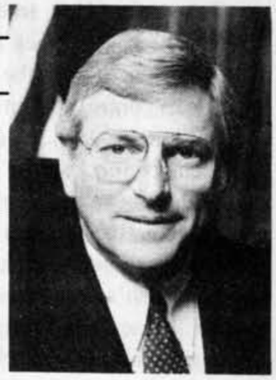
Interview: Governor Mark White



Texas governor urges oil tariff, sees parallels to 1929

Governor White, a Democrat, has taken national leadership in the fight for an oil import tariff. This interview was conducted by EIR*'s Houston bureau chief, Harley Schlanger, on March 7.*

EIR: You recently wrote to President Reagan, calling on him to take some immediate action to impose a tariff on imported oil. What, precisely, have you been proposing?

White: I have proposed a temporary variable tariff that, at present, would peg the price of oil at a level that would foreclose the shutting-in of wells, and would hopefully be high enough to induce people to go out and drill for new oil. As the price of oil on the world market moves up and down, that tariff would as well move up and down. If the oil drops lower, the tariff would be larger; as the oil price worldwide increases, the tariff would diminish. It would give us the bridge we need, between this highly volatile market and a more stable, more realistic pricing system. Today, we find that the Saudis are dumping enormous amounts of oil into the market and have effectively broken the market.

EIR: So you see this primarily as a need to protect domestic oil production?

White: For national security reasons, we cannot allow the nation to become more dependent on foreign oil, more than it is already, from whatever source it might be, out of our own territory.

EIR: President Reagan seems to have rejected this. What can you, as governor of Texas, do?

White: Today, I held a press conference, upon the announcement that unemployment in Texas has gone up to 8.8%, that we have 150,000 more unemployed people in Texas today than we did just a month ago, and urged the President once again to reconsider his position. Because what we've been saying would happen, is happening. It is imperative that the President act now, and not wait until the damage is done. He has to be able to see into the future, and predict the future. To the degree that we can show him that this is what is going to happen, we have one month of experience. It is dramatic, it's tragic, and it's also avoidable. I asked the President to consider his position and impose such a tariff as quickly as he can. He does not have to wait for the Congress to act. The President has the authority under the Tariff Act of 1974 to impose these tariffs when he makes certain findings that the economy is being dislocated or that there's dumping in the world markets, as we see today, or that the national security is being jeopardized.

Will Governor White survive the crash of '86?

As the price of west Texas crude oil dropped below $15 per barrel, and then below $12, political observers in Texas have begun speculation on whether the economic collapse hitting this state will bring down its Democratic governor, Mark White, with it. Despite opposition from three well-known, well-financed Republican candidates, and several opponents in the May Democratic primary, White was considered, until recently, by most to be a shoe-in for re-election in November.

However, the drastic collapse in oil prices has brought about a drastic change in those expectations. It is now generally acknowledged that there is a severe economic emergency battering Texas. The precipitous oil price drop comes on top of a devastated agricultural sector, depressed real estate markets, and a significant drop-off in trade moving through the Texas Gulf ports, all of which have placed enormous pressure on the state's over-extended banks.

With the passage of Gramm-Rudman (which will cost the state at least $600 million in Fiscal year '87), and the oil price drop, the state faces an uncontrollable budget

EIR: Governor, in that same initial statement, you warned that the fall in oil prices has brought the United States, I think you used the term "to the brink of an emergency." Yesterday, it was reported in the Houston papers that you told an American history class that the present economic conditions could trigger another depression. Could you elaborate on this?

White: I just was drawing certain comparisons between the situation that existed in 1929 and the situation that exists today, that we're more interested in the speculative increase in the price of stock than we are in producing goods and services. No one seems to look at the underlying strength of the economy in those industries that are being traded at record highs on the stock market today. Are we making good cars? Are those cars selling in world markets? Are we making steel that is economical in world competition? Are we as strong as the market indicates? When I look around the country, I see that agriculture is flat on its back, that the oil and gas industry is flat on its back. There are numbers of industries: timber, you can just go down the list.

EIR: In recent speeches, I've heard you bring up this theme repeatedly, the move from a production to a service economy. I presume that you think this should be reversed, so let me ask you. . . .

White: Not at all! I don't believe in trying to reverse it. I'm just saying that you don't abandon basic industry at the expense of the nation's economic substance. We have to have a domestic steel industry of some sort. We have to have a domestic automobile industry of some sort. We've got to have an oil and gas industry on-shore.

that we don't have information age technology. But I don't want to see us turn into a nation of people who, all we do is shine each others' shoes.

EIR: What steps do you see that can be taken to protect our industries?

White: First of all, the best protection is good fiscal management in Washington. We have an administration there that has created the largest debt in the history of mankind, in

crisis. The Comptroller's office estimates that each $1 drop in the price of a barrel of oil costs the state $100 million in direct tax revenue, 25,000 jobs and $3 billion in gross state product. Since Texas has a state law requiring a balanced budget, panic is setting in as to how to handle the revenue shortfall, which is estimated at $1.6 billion for 1986, and as much as $6 to $7 billion for 1987.

Governor White called on state agencies to make initial spending cuts of 13%. State Treasurer Ann Richards has warned that, even with such cuts, the state may have to write some "hot checks" to get through 1986: "By mid-December, we will have paid out almost $2 billion more than the state's general revenue fund has in the Treasury." She said she would have to get agreements from banks to honor the "hot checks."

Governor White has been under intense pressure, from members of the legislature, the media, and his opponents, to respond by either increasing the budget cuts, or introducing new taxes, including the possibility of a state income tax (since Texas has no such tax at present, such a move would be highly unpopular).

After an initial period in which he insisted things were under control, and that the 13% budget cuts would suffice, White has begun to redirect his focus—toward Washington, and how misguided policies there are threatening to collapse the economy. He has taken the point in pushing for an oil import tariff to protect domestic oil producers. In early February, he wrote to President Reagan, asking him to impose such a tariff, warning that Texas may lose $10 billion in revenue and 170,000 energy-related jobs without such action.

After the President rejected this proposal, and February unemployment figures showed that 161,000 Texans lost their jobs in one month alone (the official unemployment rate went from 6.4% to 8.4%), White went back on the offensive. At an emergency press conference, he asked, "Why won't the President act now? How many Americans must lose their jobs, and how dependent must our country become on foreign energy supplies before this administration realizes that doing nothing is tantamount to saying last rites over domestic energy vital to our national security."

He expanded on this theme in a talk given to a class of high school students. White warned the students of the dangers of a 1929-style

ket, he said, "What goes up fast can come down just as fast. That's what happened in the '20s . . . whether this will trigger another depression or not, we don't know."

One seasoned Texas politico commented on these developments by saying that it may be good politics for White to focus on problems out of Washington, but it may not be enough for him to retain his governorship. The real question is whether he will lead an effective intervention, on the national level, to change the present economic policy drift in Congress and from the Reagan Administration. If so, then some of the talk of his potential as a national candidate for 1988 may gain some credibility.

Harley Schlanger

five years. Rather than a balanced budget, we have the most out-of-balance budget in the history of the country. Blame it on whomever you want, but it happened in a combination of events in the White House and the Congress. Let me say, any way you want to handle it, that's where the culprit is.

EIR: Do you see Gramm-Rudman as a solution?
White: I don't think Gramm-Rudman is a very wise way to solve the problem. The way we're attempting to solve a short-fall of revenues in Texas happens to be a much better approach, I think. That's to ask our agencies for their thoughts on how they can reduce their expenditures without cutting into services. We're getting an enormously favorable report, and already, in this two-week period of time, we're talking about something in the neighborhood of over $600 million saved, which is almost half of the short-fall.

EIR: To go back to the oil situation. I believe you also have said that you would think that Mexico should be exempted from the tariff, because of the debt crisis that has hit that country and also because of the overall economic problems that Mexico is having right now. Is that the case?
White: Basically, what we need to do is exempt Mexico, at least to the extent of a cap that would be put on their imports. We ought to also try to engage Mexico in some trade agreement concerning oil pricing, that would give them some predictable price for their oil over the next several years, so that they can plan their economic future. Mexico's economic future is so closely intertwined with our own country's future that we should not ignore the very favorable economic impact it would have on the ability of Mexico to guide its own economy to a stronger position than exists today.

[Referring back to the issue of the proposal for a tariff on imported oil, and the opposition to it] To put a tariff on it, might trigger more control over domestic production. There's a vast difference. The controls that we had on domestic production in the past, the tariff is totally different from those controls. That was over domestic production, all the regulations and all the bureaucracy. It doesn't take any bureaucracy and very few regulations to impose a tariff on imported oil. They further say that it won't have much impact on the price of oil, because so much of our oil is imported from Mexico, and they give you two or three other reasons why it won't have much impact. Well then, if it doesn't have much impact, why don't you try it and let's see how it works.

EIR: It seems as though part of what the administration, and Congressman Phil Gramm (R-Tex.)
saying, is that we don't need these kinds of measures because we're in a recovery. I presume that you don't quite share his optimism on the state of the U.S. economy.
White: No. I think he's overlooking the fact that this recovery is fueled by a trillion-dollar deficit-spending, in the defense industry, and most of the market increases are fueled by buy-out agreements and take-over agreements. That's not sound economic growth—that's speculative fever. That is not the way this country has been built into a national economic empire.

LaRouche: Set an oil parity price

At a Jan. 29 gathering of congressional candidates backing emergency economic measures proposed by presidential candidate Lyndon LaRouche, LaRouche called for a tax on imported oil.

In answer to a question on what steps to take against the Gramm-Rudman amendment or Rostenkowski tax bill, LaRouche came back on the oil issue: "First of all, I would do one thing right away. As President, I could raise some more taxes . . . with $10 [a barrel] oil. I've got to save our good people down in Texas and Oklahoma, and a few other places. I've got to help our friends in Ibero-America, such as the Mexicans, who are about to be ruined. . . .

"I would slap a tax—an import tax—on petroleum, where the tax would be equivalent to the amount at which petroleum was sold below a parity price for the United States petroleum. Because I would have to protect our petroleum industry . . . for military as well as other reasons. Therefore, I cannot have wells shut down. I've got to have a stable supply, domestic supply, of oil. And I need some money. . . . If people want to sell oil at $10 a barrel or $5 a barrel, let them sell it. We'll buy it, but we'll put a tax on it so that it becomes $15- or $20-a-barrel oil by the time it gets inside the U.S. market. And let the government keep the change."

The government would get about $5 billion in 1986, if crude oil imports continued at a 1984 average import rate. The United States currently imports about one-third of its annual oil consumption needs. Oil experts vary on what would be the appropriate U.S. oil parity price, because of the difference in crude oil types, and the wide-ranging differences in efficiency, technology, and indebtedness of oil well production operations.

However, in order for the United States to maintain a reliable, adequate oil supply, there is an average price which needs to prevail, in order to not only continue oil production in the short term, but guarantee constant initiatives of oil exploration and new well development. While a parity price could be as low as $20, a price of $27-28 per barrel would guarantee the healthiest augmentation of reserves.