

They are Houston-based Reliant Corp., Dynegy, and Enron Corp.; Charlotte-based Duke Energy; Virginia-based AES, the biggest global buyer and seller of power plants; and San Jose-based Calpine.

Just over one week after the Governor's speech, those power conglomerates did, in fact, switch off California's lights, with cool arrogance. A Dynegy spokesman, after the company was asked by both Davis and President Clinton to stretch out the utilities' payments to keep them from bankruptcy, replied to the press Jan. 16, "We just aren't going to do that. There's too much at stake."

And now they are moving in to liquidate the utility companies, by going into bankruptcy court, to collect the unpaid jacked-up fees they are charging them to supply energy. The utilities have defaulted on hundreds of millions to the robber barons; but, they are likely now to set off defaults on *tens of billions* borrowed from banks. Governor Davis was not helped by his emergency meetings in late December with Federal Reserve Chairman Alan Greenspan, because Greenspan was in a panic at the time, lowering rates and pumping money to save the U.S. debt bubble. Davis's plan itself, is skewed by its attempts to bail out the bank creditors of the California utilities.

Fears and Illusions

In our meetings with state officials, we were assured, repeatedly, that they are fully aware of what they are up against. Yet, not once did these officials propose re-regulation. Instead, they offered the same *mélange* as that of the Governor: a little bit of financial management, some serious conservation, and a dash of hope that the Enrons and Duke Powers of this world will recognize their plight, and be more reasonable.

As a last resort, in case expecting reason from the privateers was asking too much, they spoke vaguely of invoking emergency powers, to ensure that electricity was delivered to the bankrupt utility companies.

Senator Neal, drawing upon his experience in Nevada, emphasized the need for Governor Davis to assert his authority under the General Welfare clause of the U.S. Constitution. No California legislator has yet put forward a plan for reregulation, amazingly. Neal told the legislators to give the Governor a finding that low-cost electricity is a necessity of the welfare of the state, so that Davis can use emergency powers, such as use of *eminent domain*, to ensure the delivery of electricity *and the rapid construction of new power facilities*, of which the state has added none in a decade. In both public and private meetings, he stressed that the primary role of elected officials is to act for the General Welfare, which takes precedence over shareholder values.

Ultimately, it is the illusion that Greenspan's bubble is prosperity, which has caused the people of California to tolerate an unreliable power system of the sort one would expect to find in a poor, Third World country.

Saudi Minister Yamani: 'Kissinger Was Behind 1974 Oil Shock'

by Our Special Correspondent

The British Sunday paper, the *Observer*, on Jan. 14, accused then-U.S. Secretary of State Henry Kissinger, of being a key player in orchestrating what was then a 400% rise in the price of crude oil following the October 1973 Arab-Israeli War.

The *Observer* interviewed former Saudi Arabian Oil Minister Sheikh Yaki Yamani, on the eve of the Organization of Petroleum Exporting Countries' January meeting in Vienna, where OPEC oil ministers decided to try to keep oil prices high by cutting output by 1.5 million barrels per day. That decision was widely opposed by the Organization for Economic Cooperation and Development member governments, as risking a deep economic recession.

Commenting on the Sheikh's warnings against the Organization of Petroleum Exporting Countries (OPEC) oil cuts at this time, the London paper noted, "He believes increasing the price could worsen the economic situation in the U.S.—with knock-on effects in the Far East and Europe—to the long-term detriment of producers, as industrialized nations seek other sources of oil, and of power. In this, he has remained consistent for 30 years: In the 1970s he was not persuaded of the benefits to OPEC of hiking crude prices by the 400% that came about in 1973."

The *Observer* added, "The Sheikh says he does not miss the day-to-day cut and thrust that characterized the 1970s oil crisis. However, it is with a smile that he adds: 'When you deal with oil you have to take so many other things into consideration.' The suggestion is that politics, rather than economics, is the key. . . . The key political question in his mind now is the same as it was in 1973—relations between Israel and its Arab neighbors."

Then, a bombshell: "He reminisces about the era of great oil diplomacy in the 1970s and his contemporary, former U.S. Secretary of State Henry Kissinger. . . . At this point he makes an extraordinary claim: 'I am 100% sure that the Americans were behind the increase in the price of oil. The oil companies were in real trouble at that time, they had borrowed a lot of money and they needed a high oil price to save them.' He says he was convinced of this by the

attitude of the Shah of Iran, who in one crucial day in 1974 moved from the Saudi view, that a hike would be dangerous to OPEC because it would alienate the U.S., to advocating higher prices. ‘King Faisal sent me to the Shah of Iran, who said: “Why are you against the increase in the price of oil? That is what they want. Ask Henry Kissinger—he is the one who wants a higher price.”’ ”

The interviewers then comment, “Yamani contends that proof of his long-held belief has recently emerged in the minutes of a secret meeting on a Swedish island, where U.K. and U.S. officials determined to orchestrate a 400% increase in the oil price. Yamani was Saudi Oil Minister from 1962 to 1986. During that time, he escaped the assassin who killed King Faisal, and survived kidnapping by Carlos ‘The Jackal.’ ”

1973: The Real Story

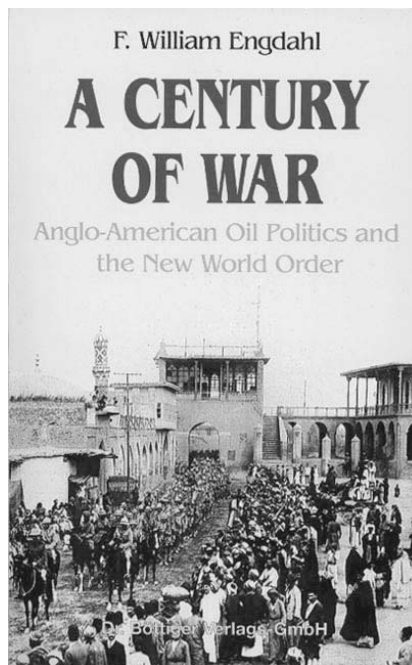
What perhaps the Sheikh was unaware of, is the fact that it was not “the Americans” working with Kissinger to drive up the oil price, but rather, an Anglophile faction of the U.S. establishment working with London oil and banking interests in and around the Royal Institute for International Affairs. Kissinger once boasted in a speech to that institute that, as U.S. Secretary of State, he had more regularly consulted the British Foreign Office on key decisions than he did his own State Department.

The allegations of Kissinger’s role, and of a meeting at a secret Swedish island to plan the 400% rise in oil prices in 1974, a move which put the economic growth of the world into a devastating reverse, were published in the June 9, 2000 *EIR*, in an article titled, “Oil and the Coming Financial Armageddon.” *EIR* wrote at that time, “Beginning October 1973, when world oil prices soared by 400% over several weeks in the wake of the manipulated Henry Kissinger ‘Middle East Shuttle Diplomacy,’ a concerted world media campaign pointed the finger of blame for the devastating oil shock at the OPEC oil-producing countries.”

The *EIR* account continued, “Sheikh Zaki Yamani, then Saudi Oil Minister, became the target of Western media attention. He was portrayed as the most powerful man in the world for his alleged ability to decide world oil prices, accused of responsibility for the ensuing economic recession worldwide.

“Subsequent investigation revealed a quite different background to the devastating ‘Oil Shock’ of 1973-74. Far from being a conspiracy of greedy Arab oil sheikhs, the 400% rise in prices for the world’s most important energy source, petroleum, was planned well in advance of the October 1973 ‘Yom Kippur’ War, the ostensible trigger for the oil shock.

“The price shock was laid out in detail during a secret meeting of the Bilderberg Group in May 1973 at Saltsjöbaden, Sweden. That meeting included the heads of the major



EIR economics editor William Engdahl told the full story of Kissinger’s role, in his 1993 book.

British, U.S., and French oil multinationals, then dubbed the Seven Sisters. It included the leading banking voices of the City of London, and key NATO country politicians. Henry Kissinger was among the select invited guests. That meeting planned, down to the exact amount, the 400% oil shock of six months later, and discussed how the oil multinationals’ allied bankers would use it for what Henry Kissinger liked to call ‘recycling petrodollars.’

“That recycling of the sudden embarrassment of riches in OPEC went in the form of City of London Eurodollar loans to Third World debtor nations forced to borrow to finance their huge new oil import costs. It was the origin of what in the 1980s became the ‘Third World debt crisis.’

“For the Seven Sister oil multinationals, the 1973-74 oil shock was a conveniently timed godsend. Consortia of all the Sisters had invested billions of dollars—amounts never before seen in the history of oil exploration—in the construction of large offshore oil platforms and of oil infrastructure in the then new oil fields of the North Sea and Prudhoe Bay, Alaska. The extreme physical difficulties of both areas meant companies had to invest sums never before dreamed of. Before the 1973 price increase, the Seven Sisters faced financial disaster and unpayable debts to their bankers. Their bankers, in turn, were the same bankers who recycled the OPEC petrodollars after 1973.”

That *EIR* account was reprinted and circulated widely in Arab media. The account is taken from the 1993 book by William Engdahl, *A Century of War: Anglo-American Oil Politics and the New World Order* (Wiesbaden: Böttiger Verlag, 1993).