

agencies, such as the Nuclear Regulatory Agency (which has sabotaged the construction of the Seabrook, New Hampshire nuclear power plant), as well as impoundment of funds and other extra-legislative measures if Congress proves obstructionist.

Gutting Congressional Power

The same anti-constitutionalist approach is embodied in Carter's proposal for a new Department of Energy to be presided over by Schlesinger. In a blistering attack on the proposal which appeared in the April 7 Congressional Record, Rep. Walter Flowers (D-Ala), the outspokenly pro-fusion energy chairman of the House Subcommittee on Fossil Fuels and Nuclear Energy detailed the dictatorial powers which the Department — and maniac

Schlesinger — would be able to wield. (See below)

On the very day that Flowers' attack appeared in print, Senator Ted Kennedy (D-Mass) moved to strengthen the Department's powers even further. Kennedy introduced an amendment to the bill authorizing the Department to create its own Office of Assistant Secretary for Competition and Consumer Affairs to oversee "every aspect of energy production, transportation, distribution, financing, retailing, and even use." In remarks appended to the amendment, Kennedy makes it clear that its purpose is to beef up the Department's capacity for waging war against industry, and specifically for breaking up the independent oil and natural gas companies, which are to be absorbed into the Rockefeller cartel.

Burns Demands IMF Dictatorship, Energy Sacrifices

Federal Reserve Chairman Arthur Burns began the following speech, at the April 12 Annual Dinner of the Columbia University Graduate School of Business, by telling his audience: "I plan to comment on the need for order in international finance... now besieged... by strain and turbulence." Burns proceeded to a description of a new IMF, made into a second NATO for the financial sphere, given the same powers over the economic policy conduct of the world's nations that a police department enjoys over the legal conduct of a municipality's citizens. This IMF dictatorship, Burns reported, would consist of augmented powers to impose stringent austerity and loan-allocation conditions on "borrowers" — all new IMF credit monies thus made available to reinflate New York private banks' receivable lag.

In Burns' emphasis, the IMF is no longer to be treated as a world central bank with powers inseparable from contractual financial operations. Burns demands the IMF be given power to dictate national economic policy, "exercise oversight" and so forth entirely unsolicited, whether a member nation has applied for a loan or not. He thus combines the "limited sovereignty" Entebbe doctrine with the "Common Fund"-type bail-out system demanded by David Rockefeller last month.

To ensure clarity, Burns recommended the following as policy guidelines for his new IMF:

— Forced devaluations (non-OPEC developing sector) and revaluations (West Germany, Japan) to guarantee the viability of U.S. dollar-denomination in present debt overloads;

— Forceable imposition of Carter-like "energy conservation" plans to eliminate the national possibility of diversionary productive investment as an alternative to debt roll-over;

— Supplemental roll-over loans to debtor nations and large contributions to the IMF by the OPEC nations.

Excerpts of Burns' speech follow.

... Quite obviously, the overriding problem confronting us in world financial matters today is the massive and stubborn imbalance that prevails in payments relations

among nations — a condition arising importantly, although by no means exclusively, from OPEC's action in raising the price of oil so abruptly and so steeply...

If OPEC surpluses on current account should continue on anything like the present scale, they would inevitably be matched by deficits of identical magnitude on the part of other nations. And if some countries outside OPEC should also have sizable and persistent surpluses, as now appears to be the case, the aggregate deficit of the remaining countries will be still larger. Under such circumstances, many countries will be forced to borrow heavily, and lending institutions may well be tempted to extend credit more generously than is prudent. A major risk in all this is that it would render the international credit structure especially vulnerable in the event that the world economy were again to experience recession on the scale of the one from which we are now emerging...

The realization of these conditions requires diligent pursuit of stabilization policies by countries that have been borrowing heavily in international markets...

What we need is a more forthcoming attitude on the part of borrowing countries in regularly supplying information to lenders on the full range of economic and financial matters relevant to creditworthiness...

Even now, as lenders are becoming better informed and somewhat more cautious in extending foreign credit, a tendency toward earlier recourse to the IMF appears to be emerging. It seems likely, therefore, that more countries that need to adjust their economic policies will henceforth do so sooner and probably also more effectively...

Private banks — both in this country and elsewhere — played a very substantial role in "recycling" petrodollars between the OPEC group and other countries, especially those whose external payments position was weakened by the higher oil prices... But with many countries now heavily burdened with debt, bankers generally recognize that prudence demands moderation on their part in providing additional financing for countries in deficit. For that reason, they understandably wish to

see an increase in the relative volume of official financial support to countries that continue to have large borrowing needs.

... The interests of the international economy and of private lenders thus converge and point to the need for a much more active role by the International Monetary Fund.

The leverage of the Fund in speeding the process of adjustment would clearly be enhanced if its capacity to lend were greater than it is now. One reason why countries often are unwilling to submit to conditions imposed by the IMF is that the amount of credit available to them through the Fund's regular channels — as determined by established quotas — is in many instances small relative to their structural payments imbalance. That will be so even after the scheduled increase in IMF quotas becomes effective. To remedy this deficiency, the Fund is currently seeking resources of appreciable amount that could be superimposed on the framework of the quota system. Negotiations are in progress with several countries of the OPEC group as well as with the United States and other industrial nations whose payments position is comparatively strong. Such a supplementary Fund facility should induce more deficit countries to submit to Fund discipline. But in no case must it become a substitute for an adequate adjustment policy by borrowers or serve as a bailout for private banks. If negotiations for such a facility are completed soon, which appears possible, high priority should be given to prompt ratification by our Congress and the legislatures of other countries.

The ability of the Fund to act forcefully in speeding the adjustment process will be strengthened in still another way once the five-year effort of amending the IMF's Articles of Agreement is completed. At present the Fund normally immerses itself in urging appropriate policies on a country only when that country applies for financial assistance. Under the revised Articles, the Fund could take the initiative in determining whether individual countries are complying with formally prescribed obligations to foster orderly economic growth and price stability. This authority, once available, will enable the IMF to broaden progressively its oversight role even when a country is not an applicant for a loan.

As the number of countries brought within the reach of the Fund's influence increases — either because of the enticement of enlarged lending facilities or because an IMF "certificate of good standing" becomes essential to further borrowing from private lenders — the outlook for correction of balance-of-payments deficits would be considerably improved. But that outcome will also depend on full appreciation by private lenders of the need to avoid actions that tend to undercut Fund efforts...

The suggestions I am exploring with you for improving the adjustment process obviously will not work unless broadly shared agreement develops that international financial affairs require a "rule of law" to guide us through the troubled circumstances that now exist... And if the IMF is to play a leadership role in pursuing this objective, it is not only private parties that must avoid weakening the IMF's efforts. Governments also — indeed governments especially — must be prepared to forego their own quite frequent inclination to do things inconsistent with the effective pursuit of Fund objectives.

There have been too many instances in which the government of a country negotiating a stabilization program with the Fund's officials has attempted to circumvent the Fund by seeking instead a loan from another government or by exerting outside political pressure on Fund officials in an effort to make loan conditions as lenient as possible. If the rule of law in international monetary affairs is ultimately to prevail, all countries — there can be no exceptions — must fully respect the IMF's integrity...

As I noted earlier, the payments difficulties of countries outside the OPEC group reflect many factors besides the way in which the burden of oil costs happens to have been distributed. It is important that adjustment proceed along several paths in this vast part of the world.

First, countries whose external position has been weakened by loose financial policies are going to have to practice some fiscal and monetary restraint, either of their own volition or because they find it obligatory to do so in order to maintain access to international credit facilities, including those of the IMF. In individual instances, the adjustment process in such countries may at times also entail allowing some depreciation of the foreign exchange of their currencies.

Second, since the burden of adjustment cannot and should not rest with deficit countries alone, those non-OPEC countries that are experiencing significant and persistent current-account surpluses must understand that they too have adjustment obligations... What I mean is simply that such countries should not actively resist tendencies toward appreciation in the value of their currencies in foreign-exchange markets...

Third, practically all non-OPEC countries — the deficit and surplus countries alike — must treat energy conservation as a key element of their economic policy. This is something to which the United States in particular must give the closest attention. We are by far the largest single consumer of energy in the world, and we have so far been notably laggard in addressing the energy problem. This year imported oil will probably account for over 40 percent of domestic consumption of petroleum, up from 22 percent in 1970. Our passive approach to energy policy, besides endangering the Nation's future, has aggravated strains in the international financial system, because we are directly responsible for a large part of the OPEC surplus. And, of course, our huge appetite for oil has added to the leverage of those OPEC members that have been most reckless in urging a still higher price of oil. The energy program being prepared by President Carter unquestionably will entail sacrifices by many of our citizens. It is essential, however, that we at long last recognize that a decisive conservation effort must be a major part of our Nation's economic policy.

If, in fact, we can build momentum into payments adjustment by the non-OPEC group of countries along these three paths — that is, internal discipline by countries in deficit, non-resistance to exchange-rate appreciation by countries in surplus, and determined energy conservation by all — the favorable consequences will be enormous. To the extent that energy conservation is effective, the present serious imbalance of the non-OPEC group of nations vis-à-vis OPEC will be reduced. Beyond that, there will no longer be such extremely large differences in the balance-of-payments status of the non-

OPEC nations. Consequently, the risk of disruption of the international financial system would be greatly reduced...

... Particularly in the years immediately ahead it is vital that the members of OPEC recognize that their economic and political future cannot be divorced from that of the rest of the world. Besides practicing forbearance with regard to the price of oil, it would be very helpful if they made larger grants of assistance to the less developed countries and also expanded the volume of loans and investments made directly abroad...

... Let me conclude by sketching or restating the responsibilities, as I see them, of the major participants in the international financial system:

First, in order to contribute to a more stable international system, the IMF must act with new assertiveness in monitoring the economic policies of its members...

Second, national governments must encourage and support the IMF, so that it can become an effective guardian of evolving law in the international monetary sphere...

Third, a better framework of knowledge for evaluating

the creditworthiness of individual countries is badly needed...

Fourth, commercial and investment bankers need to monitor their foreign lending with great care, and bank examiners need to be alert to excessive concentration of loans in individual countries.

Fifth, protectionist policies need to be shunned by all countries.

Sixth, countries with persistent payments deficits need to adopt effective domestic stabilization policies.

Seventh, non-OPEC countries experiencing large and persistent payments surpluses also need to adjust their economic policies and they can probably best do so by allowing some appreciation of their exchange rates.

Eighth, all countries, and especially the United States, need to adopt stringent oil conservation policies and, wherever possible, speed the development of new energy sources.

Ninth, the members of OPEC must avoid a new round of oil-price increases. They also need to play an increasingly constructive role in assisting the less developed countries and in the evolution of the international financial system...

Excerpts From Draft Of Carter's Energy Program

The following excerpts are taken from the April 13 Wall Street Journal account of a draft of the Carter Administration's energy program which will be officially unveiled April 20:

The President is expected to announce next Wednesday a surprisingly tough plan containing major legislative requests along these lines:

* An initial increase of five cents a gallon in the current four-cents-a-gallon federal gasoline tax. The increase... could amount to 50 cents within 10 years...

* A new tax on auto manufacturers as a penalty for producing cars using too much gas. This so-called "gas guzzler" tax would start at \$412 a car for the least efficient autos. Eventually, the tax could go as high as \$2,500 a car.

* A tax of several dollars a barrel on domestically produced crude oil, resulting in an increase of about 10 percent in consumer prices of gasoline. Thus, consumers would be hit twice — being forced to pay both a higher retail price and higher tax.

* An increase in natural-gas prices through a rise in the federal price-control ceiling on gas and a tax on the industrial use of gas. These measures would be aimed at encouraging industry to use coal...

Here, from that document (the Administration's draft program —ed.), are the ingredients of the energy plan as it now stands:

Gasoline Taxes: A tax increase of five cents a gallon would take effect automatically each year in which gasoline consumption rose by 1 percent or more from the level during a base period extending from last Oct. 1 to next Sept. 30...

Starting in 1981, every year consumption doesn't decline by 2 percent from the base period level, there

would be imposed another five-cent increase. The maximum possible tax rise under the plan would be 50 cents a gallon — a level that most economists think would be reached if the plan becomes law....

Gas-Guzzler Tax: The plan proposes the imposition of taxes on inefficient cars and accompanying rebates for efficient autos. These would be applied to auto manufacturers but presumably would be reflected in auto prices....

Initially, this tax would range up to \$412 (on the few cars that get 10 miles a gallon or less), and the rebate would range up to \$322 (on cars that get 39 miles a gallon or more). By 1985, the maximum tax would be \$2,500, and the maximum rebate would be \$500.

No manufacturer could make money from these arrangements, however, because the rebate to each maker for its efficient cars couldn't exceed the taxes collected from that company on its "gas guzzlers"....

Crude Oil: A stiff tax would be imposed in stages on wellhead prices of domestically produced crude oil. In addition, certain newly discovered oil, whose prices is controlled by the government, would be allowed, beginning in 1979, to rise to stimulate more exploration and production....

Natural Gas: The existing federally controlled price ceiling of newly discovered gas, which is \$1.44 per thousand cubic feet, would be raised to \$1.75 a thousand cubic feet. These are the prices producers charge to their pipeline customers....

The proposal would also give the Secretary of the Energy Department, which President Carter wants to create, the authority to set higher price levels for gas that is especially hard to find or produce.

In addition, the plan calls for a tax penalty for industrial users of natural gas (except fertilizer