

first casualties of William Miller's high interest rate regime and this year's stage-managed energy crisis was hitting the nation's media.

The most serious piece of economic news was the report by Chrysler Corporation that it experienced its largest quarterly loss ever in the second quarter of this year—\$207.1 million on sales of \$3.15 billion—and was asking the Federal government for \$1 billion in cash over the next 18 months in the form of accelerated tax deferrals—clearly to stave off bankruptcy. As the employer of 250,000 auto workers in 13 states, Chrysler's plight has implications far beyond the future of one corporation.

Last week, Moody's Investor Service withdrew its credit rating from Chrysler Financial Corp.'s commercial paper, and reportedly the Federal Reserve Bank of New York has begun to monitor closely the entire, rapidly expanding \$101 billion commercial paper market for repercussions of Chrysler's troubles, as well as Chrysler's own financing needs.

Industry insiders say that Chrysler—which has Henry Kissinger's new home, Goldman Sachs, as its investment banker—is under increasing pressure to drop its unprofitable commercial car operations and reorient entirely toward military production.

As the recent announcement by General Motors that it was placing 12,630 production workers at ten assembly plants on "indefinite" furlough, 45,000 U.S. auto workers have been indefinitely laid off. That figure represents about one-fifth of U.S. auto workers.

A long UAW strike would help send the economy into a tailspin and, according to a source at the Council on Wage and Price Stability, it would also set the tone for disruptive labor-industry confrontations throughout the economy.

Construction follows auto on the list of worst off industries at the present time. The value of new construction contracts rose by 5 percent in June. However, the F. W. Dodge division of McGraw-Hill, which monitors construction activity, noted that the rise in total construction contracts was attributable to inflation, which is running around 10 percent per annum in construction. Even in inflated dollar value terms, contracting for residential construction fell 8 percent from June 1978—the victim of historically high mortgage rates. Contracting for nonresidential construction—manufacturing and office buildings—was up 22 percent in value from a year earlier. Economists are predicting that the gains in manufacturing construction will reverse as soon as capital spending plans are brought in line with recent employment and production cutbacks throughout the durable goods industries.

—Lydia Schulman

USDA's Energy Office:

In preliminary investigations into the goals and activities of the so-called Energy Office of the Department of Agriculture, an office created by administrative fiat approximately one year ago, this news service has uncovered the outlines of a plan, which, if allowed to proceed, will reduce the most advanced agricultural sector in the world to a parody of a backward, third world economy.

AGRICULTURE

The Carter Administration proposes to gear up American farm exports to aid the nation's balance of payments, and simultaneously slash energy throughput and capital input levels into the farm sector.

The key to the scheme is the Carter energy policy—as Secretary Bergland put it more than a year ago in testimony to Congress, the plan is to establish "net energy self-sufficiency in agriculture by 1990" with the substitution of gasohol and biomass fuels for gas and oil (nuclear energy, it should be noted, is conspicuous in this equation only by its absence).

This is precisely the type of quick-buck scheme advocated originally for the U.S. by Adam Smith. It is a scheme that violates every fundamental tenet of scientific and technical progress that made American agriculture the greatest and most productive in the world.

The FEMA link

With the onset of the new Schlesinger oil hoax in recent months, the Carter-Bergland "Energy Office" in the USDA went into high gear, its director, Weldon Barton, appearing prominently in the speakers lists of a myriad of congressional hearings and other public engagements. No ordinary bureaucrat, Mr. Barton functions as the liaison officer, via an Energy Coordinating Committee, to the Federal Emergency Management Agency (FEMA), the government in the wings empowered as of last month to rule by emergency decree.

The USDA Energy Office's new high profile is aimed at using the emergency hoax to leapfrog implementation of the plan for "energy self-sufficiency" on the farm—or, as Secretary Bergland demanded some

dung and gasohol

time ago, "collapse the time frame" from conception to adoption of the energy plan.

So far, implementation has taken the form of congressional railroading of a host of relatively small, separate programs to fund "pilot" and other projects, usually tacked on as amendments to major pieces of agriculture legislation.

Keeping costs down ...

On July 12, Mr. Barton told the Senate Committee on Energy and Natural Resources' Subcommittee on Energy Research and Development that the Department's "vigorous" endorsement of the establishment of a gasohol industry rested on the desire to keep the costs of agricultural production down in the face of increased oil prices.

But, as the *Executive Intelligence Review* has exhaustively documented (see *EIR* Vol. VI, No. 24, June 19-25, 1979), gasohol is a fraud—from the standpoint of energy efficiency and, especially, cost efficiency: a gallon of alcohol's production costs three to four times more in dollars and cents than the volume of gasoline it replaces!

Either Mr. Barton and his mentors are counting on an extended multi-million dollar government handout to build a gasohol industry, or, as Secretary Bergland's "net energy self-sufficiency" formulation and his trumpeting of biomass suggest, the plan is more on the order of a wooden still, fed by hand-collected biomass, on every farm, with the individual farmer substituting his own and his family's muscle for machinery—the type of "cost reducing" approach institutionalized in China and Nazi Germany.

... The Chinese way

All indications point to the latter. At the time of his appointment, Agriculture Secretary Bergland was shameless in repeatedly pointing to the Chinese for agricultural wisdom—for, as he said, "China produces one food calorie (at a cost of) two petroleum calories," while Americans use five times as much. Emphasizing the environmentalist/consumerist outlook that has defined his policy orientation in and out of office, Bergland coupled his praise of the Chinese model with a demand for energy conservation and austerity: "We need to undertake some fundamental changes in our own economy ..." he intoned, calling at the same time

for Americans to "appreciate the simple science."

The twisted logic of Bergland's "simple science" is otherwise exemplified in his promotion of "organic" fertilizers and pesticides. He has, for instance, pushed for expanded use of "no till" cropping methods—admittedly less fuel consumptive but dependent on substantial increases in fertilizer, herbicide and pesticide use—and in the next breath advocated implementation of the so-called integrated management program, a scheme to replace pesticides with "organic" pest control, including the use of brigades of unemployed hippies to conduct "bug counts."

The USDA is already committed to funding loan guarantees for up to four biomass energy pilot plants—two to convert agricultural products and wastes to fuel grade alcohol, another to convert farm and forest wastes to combustible pellets, and a fourth to produce a variety of energy products from forest wastes.

Significantly, among the few studies of biomass processes, one sponsored by the Bureau of Mines shows that for a typical wood-to-oil biomass energy production process, one ton of forest product waste is required to produce each barrel of oil!

Energy and American agriculture

Secretary Bergland's "simple science" is a prescription for disaster. The fact is that the relationship of energy to agricultural productivity, as for all productivity, is straightforward: a decrease in the energy utilization for any given sector decreases output and productivity, and very rapidly escalates cost. The use of low energy-efficiency fuels only further compounds the loss.

A study of Dr. Dvoskin and Dr. Earl Heady of the Agricultural Economics group at Iowa State University demonstrated that a 5 per cent decrease in energy utilization by the agricultural sector for on-farm production will result in commodity price increases of 12 per cent; a 10 per cent decrease in 47 per cent price rises; and a 15 per cent decrease "results in such a large increase in commodity prices that it would seem unlikely to be acceptable even under the most severe energy shortage. ... If restrictions were not limited to on-farm production but also were applied to food processing and transportation, then food cost increases would be larger...."

In fact U.S. agricultural and industrial productivity directly reflects the energy density throughput used to achieve our high output—indeed, continuing increases in this productivity depend upon the development of energy sources of *even higher energy densities*—nuclear energy—the opposite direction to that charted by the Carter Administration.

—Cynthia Parsons and Susan Cohen