

least in the form associated with Jesus Christ and the Apostles or anything since—the republican form of Christianity—and to bring back in a pantheon, an assortment of religions, in which Christianity might be tolerated as one of them.

But, Christianity as a system of values would be exterminated, extirpated, from the political processes of society. These people are also radical environmentalists, radical ecologists. They wish to crush technological progress, not because it enables us to produce more people, although that's what they say; but, because technological progress means the development of the mind of the general population to a level at which it can generate, assimilate, and use advanced scientific knowledge in the form of improved technology.

Therefore, I say, that the conflict today is between these two philosophies: the oligarchical, or pagan, or pagan Rome, or those who would like to go back to pagan Rome, or New Age, on the one side; and on the other side, the Christian, republican tradition, which implicitly is traced from Solon and Socrates, so that we might say modern Western European civilization and American civilization is, essentially, that of a Socrates converted to Christianity.

Which of these two philosophies is going to prevail, is the question. If the former, the world is going to hell; the planet is going to hell. Only this upsurge of the latter, to say, "Enough. Enough evil; this evil must cease," leaves any hope for humanity.

In summary, the situation involving Iraq, Kuwait, and other states of the Arab world, is an internal Arab affair, and anyone from outside the Arab world, must proceed with a great degree of reserve and caution in this matter: not make ultimistic demands from the outside, which complicate and render difficult, the ability of Arabs to settle their own affairs.

Arabs have a right to develop, too

In general, this danger in the Middle East will continue, until the world accepts the right of Arabs to have basic economic development, including basic infrastructural development in the region. This means water systems, energy systems, including nuclear plants; this means transportation grids, and so forth and so on.

One would hope that Israel could become an integral part of such a joint economic development of the region as a whole. That, I see today, is the only hope for peace. But, the essential thing remains: It is time that the industrialized nations recognized the *human right* of Arab people to economic development, including basic economic infrastructural development. It is time that the world allowed the Arab nations to use their petroleum assets in particular, as a bargaining chip for development of basic economic infrastructure, and, thus, provide the foundation for the improvement in food production, the foundation for the development of small, high-technology firms, entrepreneurial firms, and thus, the basis for the development of a healthy, viable, manufacturing sector.

Natural \$30-35 oil price to shock U.S.

On Aug. 5, the foremost expert on physical economy, jailed political prisoner Lyndon LaRouche, explained why a \$30-35 per barrel oil price is a "natural" level. This price level will deliver financial and economic shocks to a disastrously mismanaged U.S. economy, he said, which has been propped up the artificially low cost of oil and other primary commodities. The following is edited from oral remarks.

The general estimate is that the rise in the price of oil will hit the highly vulnerable U.S. economy the hardest. The interesting thing to note here, is that a \$25-30 oil price is not to be seen as something specific to a Middle East oil crisis. Rather, if one looks at the movement of prices for petroleum products over the past quarter-century, we find that petroleum should be, on the international markets, between \$30-35 a barrel.

Now, what is the proper price of petroleum? It is a price which covers three elements of cost. One, is depletion: The cost of developing fields before you begin to produce even a gallon of oil from them. Second, the price of production, including capital replacement costs, that is depreciation and amortization costs, as well as direct production costs. Third, costs of distribution, especially physical distribution. On that basis, we can say that on the average, the world market price for petroleum should be \$30-35 a barrel.

The sole argument, from a physical standpoint, against this, is that given the extraordinarily low cost of production and large quantities of product available from Saudi Arabia, and so forth, why not produce all the world's petroleum supply in Saudi Arabia and other exceptionally low-cost regions, and not use the marginally higher-cost petroleum products of the North Sea and other higher-cost production areas?

That, obviously, is a fallacy of thinking, a fallacy which is exposed by the fact of the current Middle East oil crisis. Would you wish the world's petroleum supply to come entirely from one highly vulnerable region of the world, a region which could be shut down overnight, by some catastrophe?

So obviously, part of the cost of production of the petroleum involves the *security* of supplies of an essential product, petroleum. Petroleum is not something we can dispense with overnight, simply because we decide we're not going to use it tomorrow—that means shutting down our economy. We have to have the flow of petroleum to keep our economies

moving. We must have secure supplies of petroleum, not merely petroleum at the lowest price. And there goes the flea-market economy theory out the window, once you bring in security of economies.

Therefore, we have to say that the price of petroleum is not the average price of petroleum from all sources, but rather is determined as the top price which we must pay, in order to bring into production, and sustain in production, any part of our petroleum supply which we require for security reasons.

For example, if Europe needs North Sea oil, as a security measure, then you cannot have an oil price in the world which goes below that price, the price of the North Sea oil. If the United States should have petroleum domestically produced, as a security measure, then we should not have a price below the price of maintaining domestic U.S. petroleum production. And thus, by these marginal factors, we defend the basic cost of depletion and production and so forth. Those are the considerations.

U.S. ripe for oil price crisis

Now, let's get back to the sticking point. Why, therefore, is the U.S. considered threatened by a Middle East petroleum crisis? On two grounds: We do not have well-developed alternative sources, because of an idiotic domestic policy on oil production of the Western Hemisphere, as well as U.S. domestic production. On both points, the U.S. government's policy over the recent 20 years has been increasingly insane. There were moments when we threatened to become sane, but those little fits have been safely passed over, and we have gone back to our now-more-accustomed insanity.

In those terms, therefore, the United States was ripe for an oil price crisis, Iraqi involvement in Kuwait or not. What the Iraqi involvement in Kuwait has done, is merely triggered a sequence of events which brings the world *back to reality*, on the issue of oil prices.

What's the explanation, then?

The United States is being subsidized, in part, by the flows of petroleum at prices way below what should have been the true price. Once the United States has to adapt to what is a truly competitive price, for sustained supplies of petroleum, then the United States economy is threatened with a collapse! In other words, the U.S. policy recently has been gambling on an unsustainably low price of petroleum. Reality has caught up with the United States.

Let's look now at the Iraqi actions and developments around the Iraqi actions, in that context. It is generally a law, in history, that crises such as this one do not cause rises in oil prices, for example, but rather create political instabilities in which what would have tended to happen anyway, happens. Take, for example, the oil price crisis of 1973-74. A great deal can be said, about the fact that Henry Kissinger and Henry Kissinger's friends were the cause for that particular piece of nonsense. The correspondence from Sheikh Ya-

mani, who was the Saudi oil minister at that time, to the U.S. ambassador to Saudi Arabia, stated that in the view of Saudi Arabia, concerning petroleum policy, the Kissinger administration in Washington was *insane*.

Petroleum and gold prices related

On a deeper level, as one fellow has recently noted in the pages of the *Wall Street Journal*, the price of petroleum has always maintained—with one brief exception, which was not 1973-74—a definite relationship to gold, to monetary gold, reserve gold, so that the cost of barrels of oil in terms of a gold bullion price, has remained fairly stable over the past quarter-century. But what held the gold price down artificially, below the \$500 or more per ounce level it should have been at, was an artificially low price of petroleum, and some other primary commodities in international circulation, such as food products—which have been selling way below their true cost of production, along with petroleum—and because of the depressed industrial markets, and other primary commodities which have also been selling below their cost of production. Therefore, the gold price has been artificially low.

But, if we look at what the oil price would have been without this variously caused artificially low price of gold, we get a \$30-35 per barrel price, which is perfectly in line with what should have happened. What happened? The bubble was popped. Reality flowed in, and oil is headed toward \$30-35 per barrel. Gold, eventually, is headed up toward \$500 an ounce, unless the U.S. government can muster the world's agreement to keep it down.

Bush is in trouble

That gives the essential lesson about oil pricing and the way in which this oil pricing matter is affected by the Gulf crisis of the moment. Otherwise, what had happened is simply that George Bush, who has run the United States, with his friends, since prior to October 1987, in fact, has managed apparently, thus far, to walk on water on the economic issue, by means of measures, including those put into effect in October 1987, which delay the inevitable next financial crash. Now, he has run out of steam. These efforts no longer work.

What has happened is a new oil price crisis comes along, a perfectly natural phenomenon—inevitable. Such a phenomenon would have occurred somehow, anyway, even without this Iraq-Kuwait issue. It has now caught up to George, along with a number of other things which are collapsing, including bank collapses, and so forth. This shock wave, of a surge of oil prices toward their *natural* value of \$30-35 per barrel, hitting a shattered, unstable U.S. economy, ready to collapse already, will cause great financial shocks and economic shocks, from the top to the bottom of the U.S. financial, economic, and monetary system. That's the lesson for today.