I!S. to the NEWS

by PHYLLIS SCHLAFLV
Box 618, Alton, Illinois 62002
Phone: 618-462-5415

RELEASE: December 28

OIL PRICE INCREASE

The big econanic question is not hCM rnuch the oil price increase announced by OPEC will cost us in 1977. Secretary of Carrnerce Elliot Richardson has already estimated the price tag at $2 billion plus an additional one percent of excess inflation.

The real question, according to senior econanists, is hCM to "survive" the disaster that our econany suffered when we lost the oil war of 1973. When the Arab oil-producing nations quadrupled their prices after the Yan Kippur war, they dealt a body-blow to the West from '."7hich we have never recovered.

The out-of-pocket price increase we pay when we drive into service stations for a fill-up is only the least of the econanic costs. Brookings Institution econanists estimate that the four-fold price hike. also cost us more than two million jabs and nore than $60 billion in Gross National Product in 1976.

These losses occurred because the oil price increase triggered a decline in real disposable incare, which in turn resulted in a cut in consumption and invesbnent spending.

The maintenance of our high standard of living in the United States and the solution to the problem of unemployment are both dependent on capital fonnation. It

- is our tremendous investment in capital, plant and machinery, that enables the hrerican worker to turn out so much :rrore with fewer hours of work than our hard-working neighbors in other countries.

The worst effect of the Arab oil increase is that American savings are no longer pouring into capital investment in sufficient annunts. Industry expansion that was attractive when oil cost $2.75 a barrel is simply not feasible with $12-a-barrel oil. The shrinkage in capital investment means a shrinkage in jobs.

(more)

During 1975 and 1976, econanists were predicting that the U.S. ecanany \'.Uuld "adjust" and "absorb", catch its breath,and resume its steady progress. That didn't happen. Now econanists are saying that it is doubtful we can ever absorb the price increases we've already suffered, and that we are facing a bleak future of pennanent lower living standards, caught between unemplqyment and inflation.

Underlying the whole problem is one little statistic that staggers the imagination. The OPEC nations have been selling oil to the West at $11.51 a barrel, f.o.b. the Persian Gulf, that costs them only 25¢ a barrel to produce.

The reason why we don't dare do anything about this highway robbery is the spectre of Soviet military pc:Mer that overhangs the world. Lt. Gen. Daniel 0. Graham (ret.), now of the Center for Advanced International Studies at the University of Miami, reminds us that "Moscow has urged steady increases in oil prices ... and use of the 'oil weapon' to further political ends."

The Kremlin hasn't even been subtle about its new econanic strategy of "joining ranks with the oil-producing countries" in a worldwide "anti-imperialist struggle."

The oil price problem is of such major dimensions that solutions should be forged on many fronts. One solution is to restore our military superiority over the Soviets so that we don't have to acquiesce in their arrogant encouragemant of the "oil weapon."

Another solution is to prarote collective bargaining among the major oil consuming nations: the United States, Western Europe, Japan, and Brazil. We can notify the oil producers that, any tine they raise their oil prices, we will li1<.ewise raise the prices of the things they want to buy fran us, including autaoobiles, trucks, air conditioning, and food.

(end)