JANUARY 2007 TRENDEVENTS

The Big Economic Worry: Productivity Is Slowing *(Posted to the EnergyResources List)*

By Robert J. Samuelson January 3, 2007; A19 http://tinyurl.com/uqj9w

The start of a new year is a good time to take stock, and there are few better indicators of our long-term economic prospects -- and also our prospects for political and social peace -- than productivity. As anyone who's taken basic college economics should know, productivity is simply jargon for efficiency. It's also what most people think of as economic progress. The good news is that productivity has been growing strongly; the bad news is that it may be moving to a much slower path.

To see why that matters, consult a fascinating government report, "100 Years of U.S. Consumer Spending." A century ago, Americans spent 43 percent of their incomes on food and 14 percent on clothing. By 2002, those shares were 13 percent and 4 percent. Meanwhile, family incomes (after inflation) had exploded. Filling the spending gap are all the things we take for granted -- cars, TVs, travel, telephones, the Internet. Home ownership has zipped to almost 70 percent of households.

This triumph of mass consumption is usually credited to technological breakthroughs, from the assembly line to computer chips. But the whole process is also described as productivity improvement. In 1900, 41 percent of Americans worked on farms. If mechanization, new seeds and fertilizers hadn't meant that fewer people could produce more food, we'd still be paying two- fifths of our income to eat. Labor productivity is measured as output per hour worked. Whatever enables people to produce more in a given time (machinery, skills, organization) boosts productivity.

That in turn raises our incomes -- or gives us more leisure. It also promotes domestic tranquility by muffling the competition between government and personal spending. Slow productivity growth virtually ensures a collision between the heavy costs of retiring baby boomers -- mostly for Social Security and Medicare -- and younger workers' living standards. Higher taxes will bite deeply into sluggish incomes. The reason: What seem to be tiny productivity shifts have huge consequences.

Consider: In 2005, the U.S. economy produced $12.5 trillion of goods and services, or gross domestic product (GDP). Per capita income -- the average for individuals -- was $35,000. If productivity growth averages 2.5 percent a year, the economy reaches $34 trillion in 2035 (in constant 2005 dollars), estimates Moody's Economy.com. Per capita income rises to $73,000. Now, suppose productivity growth averages 1 percent annually. Then GDP in 2035 is only $23 trillion, and per capita income is $48,000. That $13,000 gain ($48,000 minus $35,000) may look large, but it occurs over three decades, and part of workers' gain would be taxed away to pay baby boomers' retirement costs. Typical take-home pay would rise less than 1 percent annually.

Unfortunately, productivity growth seems to be decreasing. In the past year it's been only 1.4 percent. By contrast, it averaged about 3 percent from 2000 to 2005. The fall-off partly reflects a mature business cycle. As the economy slows, so do productivity gains. But some long-term forecasts project that the poor performance will continue. In Moody's Economy.com's outlook, productivity growth averages 1.4 percent a year from 2005 to 2035. The main reason: stunted business investment in new machinery, technologies and buildings, says chief economist Mark Zandi.

"We don't save much as a nation, and we've gotten away with it so far because overseas investors have been willing to finance our investment," he says. But he doubts that will continue. As global investors shift to other markets, big federal budget deficits will compete increasingly with private companies for credit. Higher interest rates will crowd out some business investment. Productivity will suffer.

Maybe. But Federal Reserve Chairman Ben Bernanke has suggested that the post-1995 trend (2.5 percent or higher) might persist for years. In truth, economists have a dismal record in anticipating and explaining productivity shifts. A big slowdown in the early 1970s remains a mystery. Productivity gains averaged 1.5 percent for a bit more than two decades, down from about 2.5 percent in the 1950s and 1960s. The post-1995 rebound was first attributed to computers and the Internet. But its continuation after 2000 -- when high-tech investment peaked -- suggests that other forces contributed. It's unclear what they were.

The great frustration is that something so critical is also so elusive. Productivity ultimately encompasses a society's entire economic culture: its technologies, management, workers' skills and motivation, schools, entrepreneurial spirit, work ethic, ambition and risk-taking, the competitive pressure on companies, government policies, financial markets. Everything counts -- and connects with everything else.

Therein lies a caution to the Democratic Congress and the Bush administration. Although government can't easily dictate higher productivity, its policies may perversely favor lower productivity. What's politically expedient today -- a dubious tax break, a lazy budget deficit, an expensive regulation -- may be economically corrosive tomorrow. Don't ditch the future.

The Following Commentary was Posted to the EnergyResources List... RE: The Big Economic Worry: Productivity is Slowing

As everyone ought to know, the growth-driven economy cannot last forever. Robert J. Samuelson apparently has noticed and he is becoming a bit worried about the negative impacts of slowing economic productivity growth. He should worry, too, because the great economic Ponzi scheme is poised to collapse once growth reaches the hard boundary of resource limits. Life in the late 21st century might prove as harsh as live was in the early 19th century, except with a tremendously larger population and no prospects whatsoever for improvement... We are prosperous today because we have decided to burn away the Earth's resources now rather than leave anything for tomorrow's children. Our prosperity is a crime against God, Nature and humankind. David Mathews http://www.geocities.com/dmathew1

EnergyResources Moderator Comment... David, there is no intent to wreck our planet, only the reflection of a pervasive, "do-it" mindset established by three centuries of constant growth (in some parts of the world) driven by abundant, concentrated energies. For example, the confluence of growth and its relationship to energy is not something you will find Samuelson writing about.

When he says: " productivity is simply jargon for efficiency." he is demonstrating how energy and other physical resources are essentially invisible to the study of economics. It reflects the teachings of every economics department in the world. Those trapped in the web of economic thought do not want to know that which is contrary to their teachings and the jobs they carry out.) Tom Robertson

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Steve Benen Dec. 30, 2006 Beholden to Big Oil.... If I didn't know better, I might just think the Bush administration is a little too cozy with the oil industry...

The Justice Department is investigating whether the director of a multibillion-dollar oil-trading program at the Interior Department has been paid as a consultant for oil companies hoping for contracts. The director of the program and three subordinates, all based in Denver, have been transferred to different jobs and have been ordered to cease all contacts with the oil industry until the investigation is completed some time next spring, according to officials involved. The officials, who spoke on condition of anonymity because the investigation had not been announced publicly, said investigators we're worried that senior government officials had been steering huge oil-trading contracts to favored companies.

This news, of course, comes shortly after we learned that former Interior Secretary Gale Norton has sailed through the revolving door to become a lawyer for Royal Dutch Shell. Which comes shortly after revelations that officials at Bush's Interior Department tried to hide information that federal incentives for oil drilling in the Gulf of Mexico isn't cost effective, doesn't produce a lot of oil, and is generally just a massive give-away to oil companies. Which comes shortly after news the Interior Department has barely bothered to collect royalties from oil companies, which the industry owes the government for drilling on federal property, in recent years. If administration officials aren't careful, the public might get the impression that they're beholden to Big Oil. Wouldn't that be shocking

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Bio fuels and Agriculture

From: Gerald T. Agnew January 13, 2007
Re: [energyresources] Bio fuels and Agriculture. Corn finished limit up on the day at $ 3.99/bu... Gerald T. Gerry (original post from: Jim Gann)
"Friday the USDA came out with its final corn crop report, and the crop was considerably smaller than forecast. A trader on Bloomberg TV said it was the most hectic trading in the 20 years he had been in the pits. He mentioned that the use of corn for bio-ethanol was a major factor in rising corn prices. This year we would need to plant 7 to 10 million more acres in corn... Now folks, this nation does not have 7-10 million additional, spare, acres of land that can be row-cropped...
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DISTILLERY DEMAND FOR GRAIN TO FUEL CARS VASTLY UNDERSTATED

World May Be Facing Highest Grain Prices in History: Lester R. Brown

Investment in fuel ethanol distilleries has soared since the late-2005 oil price hikes, but data collection in this fast-changing sector has fallen behind. Because of inadequate data collection on the number of new plants under construction, the quantity of grain that will be needed for fuel ethanol distilleries has been vastly understated. Farmers, feeders, food processors, ethanol investors, and grain-importing countries are basing decisions on incomplete data.

The U.S. Department of Agriculture (USDA) projects that distilleries will require only 60 million tons of corn from the 2008 harvest. But here at the Earth Policy Institute (EPI), we estimate that distilleries will need 139 million tons—more than twice as much. If the EPI estimate is at all close to the mark, the emerging competition between cars and people for grain will likely drive world grain prices to levels never seen before. The key questions are: How high will grain prices rise? When will the crunch come? And what will be the worldwide effect of rising food prices?

One reason for the low USDA projection is that it was released in February 2006, well before the effect of surging oil prices on investment in fuel ethanol distilleries was fully apparent. Beyond this, USDA relies heavily on the Renewable Fuels Association (RFA), a trade group, for data on ethanol distilleries under construction, but the RFA data have lagged behind movement in the industry.

We drew on four firms that collect and publish data on U.S. ethanol distilleries under construction. RFA is the one most frequently cited. The other three firms are Europe-based F.O. Licht, the publisher of *World Ethanol and Biofuels Report*; BBI International, which publishes *Ethanol Producer Magazine*; and the American Coalition for Ethanol (ACE), publisher of *Ethanol Today*.

Unfortunately, the lists of plants under construction maintained by RFA, BBI, and ACE are not complete. Each contains some plants that are not on the other lists. Drawing on these three lists and on biweekly reports from F.O. Licht, EPI has compiled a more complete master list. For example, while we show 79 plants under construction, RFA lists 62 plants. (We welcome any information that will improve this list. Go to... www.earthpolicy.org/Updates/2007/Update63_data.htm.)
According to the EPI compilation, the 116 plants in production on December 31, 2006, were using 53 million tons of grain per year, while the 79 plants under construction—mostly larger facilities—will use 51 million tons of grain when they come online. Expansions of 11 existing plants will use another 8 million tons of grain (1 ton of corn = 39.4 bushels = 110 gallons of ethanol).

In addition, easily 200 ethanol plants were in the planning stage at the end of 2006. If these translate into construction starts between January 1 and June 30, 2007, at the same rate that plants did during the

final six months of 2006, then an additional 3 billion gallons of capacity requiring 27 million more tons of grain will likely come online by September 1, 2008, the start of the 2008 harvest year. This raises the corn needed for distilleries to 139 million tons, half the 2008 harvest projected by USDA. This would yield nearly 15 billion gallons of ethanol, satisfying 6 percent of U.S. auto fuel needs. (And this estimate does not include any plants started after June 30, 2007, that would be finished in time to draw on the 2008 harvest.)

This unprecedented diversion of the world's leading grain crop to the production of fuel will affect food prices everywhere. As the world corn price rises, so too do those of wheat and rice, both because of consumer substitution among grains and because the crops compete for land. Both corn and wheat futures were already trading at 10-year highs in late 2006.

The U.S. corn crop, accounting for 40 percent of the global harvest and supplying 70 percent of the world's corn exports, looms large in the world food economy. Annual U.S. corn exports of some 55 million tons account for nearly one fourth of world grain exports. The corn harvest of Iowa alone, which edges out Illinois as the leading producer, exceeds the entire grain harvest of Canada. Substantially reducing this export flow would send shock waves throughout the world economy.

Robert Wisner, Iowa State University economist, reports that Iowa's demand for corn from processing plants that were on line, expanding, under construction, or being planned as of late 2006 totaled 2.7 billion bushels. Yet even in a good year the state harvests only 2.2 billion bushels. As distilleries compete with feeders for grain, Iowa could become a corn importer.

With corn supplies tightening fast, rising prices will affect not only products made directly from corn, such as breakfast cereals, but also those produced using corn, including milk, eggs, cheese, butter, poultry, pork, beef, yogurt, and ice cream. The risk is that soaring food prices could generate a consumer backlash against the fuel ethanol industry.

Fuel ethanol proponents point out, and rightly so, that the use of corn to produce ethanol is not a total loss to the food economy because 30 percent of the corn is recovered in distillers dried grains that can be fed to beef and dairy cattle, pigs, and chickens, though only in limited amounts. They also argue that the U.S. distillery demand for corn can be met by expanding land in corn, mostly at the expense of soybeans, and by raising yields. While it is true that the corn crop can be expanded, there is no precedent for growth on the scale needed. And this soaring demand for corn comes when world grain production has fallen below consumption in six of the last seven years, dropping grain stocks to their lowest level in 34 years. From an agricultural vantage point, the automotive demand for fuel is insatiable. The grain it takes to fill a 25-gallon tank with ethanol just once will feed one person for a whole year. Converting the entire U.S. grain harvest to ethanol would satisfy only 16 percent of U.S. auto fuel needs.

The competition for grain between the world's 800 million motorists who want to maintain their mobility and its 2 billion poorest people who are simply trying to survive is emerging as an epic issue. Soaring food prices could lead to urban food riots in scores of lower-income countries that rely on grain imports, such as Indonesia, Egypt, Algeria, Nigeria, and Mexico. The resulting political instability could in turn disrupt global economic progress, directly affecting all countries. It is not only food prices that are at stake, but trends in the Nikkei Index and the Dow Jones Industrials as well.

There are alternatives to creating a crop-based automotive fuel economy. The equivalent of the 2 percent of U.S. automotive fuel supplies now coming from ethanol could be achieved several times over, and at a fraction of the cost, by raising auto fuel efficiency standards by 20 percent. If we shift to gas-electric hybrid plug-in cars over the next decade, we could be doing short-distance driving, such as the daily commute or grocery shopping, with electricity. If we then invested in thousands of wind farms to feed cheap electricity into the grid, U.S. cars could run primarily on wind energy—and at the gasoline equivalent of less than $1 a gallon. The stage is set for a crash program to help Detroit switch to gas-electric hybrid plug-in cars.

It is time for a moratorium on the licensing of new distilleries, a time-out, while we catch our breath and decide how much corn can be used for ethanol without dramatically raising food prices. The policy goal should be to use just enough fuel ethanol to support corn prices and farm incomes but not so much that it disrupts the world food economy. Meanwhile, a much greater effort is needed to produce ethanol from cellulosic sources such as switchgrass, a feedstock that is not used for food.

The world desperately needs a strategy to deal with the emerging food-fuel battle. As the leading grain producer, grain exporter, and ethanol producer, the United States is in the driver's seat. We need to make sure that in trying to solve one problem—our dependence on imported oil—we do not create a far more serious one: chaos in the world food economy.

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A Failed Revolution: By Paul Krugman December 29, 2006 by the New York Times

After first attempting to deny the scale of last months defeat, the apologists have settled on a story line that sounds just like Marxist explanations for the failure of the Soviet Union. What happened, you see, was that the noble ideals of the Republican revolution of 1994 were undermined by Washington's corrupting ways. And the recent defeat was a good thing, because it will force a return to the true conservative path.

But the truth is that the movement that took power in 1994 a movement that had little to do with true conservatism was always based on a lie... The lie is right there in The Freedom Revolution, the book that Dick Armey, who had just become the House majority leader, published in 1995. He declares that most government programs don't do anything to help American families with the needs of everyday life, and that very few American families would notice their disappearance. He goes on to assert that there is no reason we cannot, by the time our children come of age, reduce the federal government by half as a percentage of gross domestic product.

Right. Somehow, I think more than a few families would notice the disappearance of Social Security, Medicare and Medicaid and those three programs alone account for a majority of non-defense, non-interest spending. The truth is that the government delivers services and security that people want. Yes, there's some waste just as there is in any large organization. But there are no big programs that are easy to cut.

As long as people like Mr. Armey, Newt Gingrich and Tom DeLay were out of power, they could run on promises to eliminate vast government waste that existed only in the publics imagination all those welfare queens driving Cadillac's. But once in power, they couldn't deliver. That's why government by the radical right has been an utter failure even on its own terms: the government hasn't shrunk. Federal outlays other than interest payments and defense spending are a higher percentage of G.D.P. today than they were when Mr. Armey wrote his book: 14.8 percent in fiscal 2006, compared with 13.8 percent in fiscal 1995.

Unable to make good on its promises, the G.O.P., like other failed revolutionary movements, tried to maintain its grip by exploiting its position of power. Friends were rewarded with patronage: Jack Abramoff began building his web of corruption almost as soon as Republicans took control. Adversaries were harassed with smear campaigns and witch hunts: Congress spent six years and many millions of dollars investigating a failed land deal, and Bill Clinton was impeached over a consensual affair.

But it wasn't enough. Without 9/11, the Republican revolution would probably have petered out quietly, with the loss of Congress in 2002 and the White House in 2004. Instead, the atrocity created a window of opportunity: four extra years gained by drowning out unfavorable news with terror alerts, starting a gratuitous war, and accusing Democrats of being weak on national security. Yet the Bush administration failed to convert this electoral success into progress on a right-wing domestic agenda. The collapse of the push to privatize Social Security recapitulated the failure of the Republican revolution as a whole. Once the administration was forced to get specific about the details, it became obvious that private accounts couldn't produce something for nothing, and the publics support vanished.

In the end, Republicans didn't shrink the government. But they did degrade it. Baghdad and New Orleans are the arrival destinations of a movement based on deep contempt for governance. Is that the end for the radical right? Probably not. As a long-suffering civil servant once told me, bad policy ideas are like cockroaches: you can flush them down the toilet, but they keep coming back. Many of the ideas that failed in the Bush years had previously failed in the Reagan years. So there's no reason to assume they're gone for good...Indeed, it appears that loss of power and the ensuing lack of accountability is liberating right-wingers to lie yet again: since last months election, I've noticed a number of Social Security privatizers propounding the same free-lunch falsehoods that the Bush administration had to

abandon in the face of demands that it present an actual plan... Still, the Republican revolution of 1994 is over. And not a moment too soon

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Guangzhou Journal: In City Ban, a Sign of Wealth and Its Discontents

By JIM YARDLEY
http://www.nytimes.com/2007/01/15/world/asia/15china.html

GUANGZHOU, China, Jan. 11 - Guangzhou, the chaotic export capital in southern China, appeared to hit a major Chinese milestone this month, becoming the country's first city to reach a per capita income of $10,000 - more than five times the nationwide figure and a rough threshold for becoming a "developed" country. But in a measure of just how problematic prosperity can be here, the city will institute a ban on motorcycles and motorized bicycles on Monday, hoping to quell a crime wave that has been building to more than 100,000 offenses a year.

The vehicles, the primary mode of transport for migrant workers clawing their way up Guangzhou's economic ladder, are also favored by criminals who have terrorized the city in recent years, including a shocking case in late 2005, when a woman had her hand cut off by a thief on a motorcycle. News accounts concluded that motorcycle thieves were divided into gangs, including one called the Hand Choppers. "Crime will be a long-term problem in Guangzhou," said Peng Peng, director of research management for the Guangzhou Academy of Social Sciences. "As long as there is a vast gap between the rich and poor in the city, Guangzhou will suffer from crime."

The Communist Party is forever trying to focus the expectations of the Chinese people on a better, if distant, future where everyone is more affluent and where China is a true modern nation. Yet cities like Guangzhou and nearby Shenzhen, which have already begun to taste real prosperity, are learning how new wealth can bring new problems and not always solve the old ones. As incomes have risen in Guangzhou, so have crime, traffic and inequality.

Inequality here is unquestionably stark between the 7.5 million registered residents and the estimated 3.7 million migrants. This week, Guangzhou had to lower its per capita income figure to $7,800; the $10,000 level had been calculated without including migrants, whose wages are notoriously low. But public sympathy has limits, particularly since studies show that migrants are responsible for much of the city's street crime. Most major Chinese cities feel very safe by American standards. Still, in Guangzhou, thefts, purse snatching, robberies and muggings have become common. One 2006 poll found that only 20 percent of residents felt safe. Hawkers at one pedestrian overpass in Tianhe District were selling switchblades and collapsible metal rods as self-defense weapons.

Recently, there has been talk, including by a high-ranking official in Guangzhou's Communist Party, of capping the number of migrants allowed into the city as a means of curbing social problems. As yet, the city has not instituted any restrictions, but the motorcycle ban has already forced thousands of motorcycle taxi riders to leave. Others have turned over their motorcycles and motorized bicycles to government impound lots in exchange for modest cash payments.

Another migrant, who gave only his last name, Gong, idled his motorcycle with other riders along a major thoroughfare in the city's Tianhe District. "A lot of people have left," said Mr. Gong, 40, his eyes darting in search of customers as well as police officers. "We're just biding our time until the final deadline on the 15th." Mr. Gong said he migrated to Guangzhou five years ago from Hunan Province. He had earned about $250 a month on his motorcycle - a healthy wage for a migrant - but now he said he was not certain what he would do. "Oh, here they come, here they come!" he said, suddenly racing off as two police officers approached on a motorbike. "Sorry, I've got to go."

Along Beijing Road, one of Guangzhou's most fashionable shopping boulevards, random interviews found that nearly everyone had been robbed or knew someone who had been. Maggie Qu, 20, who recently graduated from a local technical college, said a thief stole her wallet and cell phone out of her purse two months ago. Her friend, Chen Jianguo, 21, expressed sympathy for migrants - "They are Chinese, after all" - but he blamed them for the crime problem. "They do bring crime," Mr. Chen said. "Unemployed people and uneducated people have to make a living, so they may resort to crime."... He added: "There are too many of them coming, and there are not enough jobs."

Of course, migrants are also responsible for performing the hard labor that generates much of the city's economic output - just like elsewhere in China. Ye Cunhuan migrated to Guangzhou from Hubei Province in 2003 and opened four stores that sell motorized bicycles. These bikes, equipped with small motors, are popular for deliveries and also for people who cannot afford a motorcycle. Now, Ms. Ye has had to close two stores and is facing ruin... "This has been fatal to my business,"
Ms. Ye scoffed at the idea that criminals used motorized bicycles, given their low rate of speed, and characterized the ban as an act of discrimination against migrants and others with
less money. "They don't want to see any of the poor or any ugliness on the streets," Ms. Ye said. "They want Guangzhou to be a city that attracts wealth and beauty and is full of luxury cars."
(Lin Yang contributed to this article.)

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TomPaine.common Sense **Energy Control And Political Power**

Michael T. Klare January 18, 2007

Michael T. Klare is a professor of peace and world security studies at Hampshire College and the author of Blood and Oil: The Dangers and Consequences of America's Growing Dependence on Imported Petroleum *(Owl Books).* ***This is the second of a two-part series****; the first part can be found here. This piece originally appeared at* TomDispatch*.*

Not "Islamo-fascism" but "Energo-fascism"—the heavily militarized global struggle over diminishing supplies of energy—will dominate world affairs (and darken the lives of ordinary citizens) in the decades to come. This is so because top government officials globally are increasingly unwilling to rely on market forces to satisfy national energy needs and are instead assuming direct responsibility for the procurement, delivery, and allocation of energy supplies. The leaders of the major powers are ever more prepared to use force when deemed necessary to overcome any resistance to their energy priorities. In the case of the United States, this has required the conversion of our armed forces into a global oil-protection service; two other significant expressions of emerging Energo-fascism are: the arrival of Russia as an "energy superpower" and the repressive implications of plans to rely on nuclear power.

Energy Haves and Have-nots

With global demand for energy constantly rising and supplies contracting (or at least failing to keep pace), the world is being ever more sharply divided into two classes of nations: the energy haves and have-nots. The haves are the nations with sufficient domestic reserves (some combination of oil, gas, coal, hydro-power, uranium, and alternative sources of energy) to satisfy their own requirements and be able to export to other countries; the have-nots lack such reserves and must make up the deficit with expensive imports or suffer the consequences.

From 1950 to 2000, when energy was plentiful and cheap, the distinction did not seem so obvious as long as the have-nots possessed other forms of power: immense wealth (like Japan); nuclear weapons (like Britain and France); or powerful friends (like the NATO and Warsaw Pact countries). Needless to say, for poor countries possessing none of these assets, being a have-not state was a burden even then, contributing mightily to the debt crisis that still afflicts many of them. Today, these other measures of power have come to seem less important and the distinction between energy haves and have-nots correspondingly more significant—even for wealthy and powerful countries like the United States and Japan.

Surprisingly, there are very few energy haves in the world today. Most notable among these privileged few are Australia, Canada, Iran, Kazakhstan, Kuwait, Nigeria, Qatar, Russia, Saudi Arabia, Venezuela, Iran, Iraq (if it were ever free of conflict), and a few others. These countries are in an envious position because they do not have to pay stratospheric prices for imported oil and natural gas and their ruling elites can demand all sorts of benefits—political, economic, diplomatic, and military—from the foreign leaders who come calling to procure copious quantities of their energy products. Indeed, they can engage in the delicious game of playing one foreign leader against another, as Kazakhstan's President, Nursultan Nazarbayev —a regular guest in Washington and Beijing—has become so adept at doing.

Pushed even further, this pursuit of favors can lead to a quest for political domination—with the sale of vital oil and natural gas supplies made contingent on the recipient's acquiescing to certain political

demands set forth by the seller. No country has embraced this strategy with greater vigor or enthusiasm than Vladimir Putin's Russia.

The Rising Energy Superpower

At the end of the Cold War, it appeared as if Russia was a forlorn, wasted ex-superpower, impoverished in spirit, treasure, and influence. For years, it was treated with disdain by American officials. Its leaders were forced to swallow humiliating agreements like the expansion of NATO to Moscow's former satellites in Eastern Europe and the abrogation of the Anti-Ballistic Missile Treaty. To many in Washington, it must have seemed as if Russia was little more than a relic of history, a has-been never again slated to play a significant role in world affairs.

Today, Moscow, not Washington, seems to be enjoying the last laugh. With control over Eurasia's largest reserves of natural gas and coal as well as enormous supplies of petroleum and uranium, Russia is the new top dog—an energy superpower rather than a military one, but a superpower nonetheless.

First, a look at the big picture: Russia is the absolute king of natural gas producers. According to BP (the former British Petroleum), it alone possesses 1.7 quadrillion cubic feet of proven gas reserves , or 27% of the total world supply. This is even more significant than it might appear because Europe and the former USSR rely on natural gas for a larger share of their total energy—34 percent—than any other region of the world. (In North America, where oil is the dominant fuel, natural gas accounts for only 25 percent of the total.) Because Russia is by far the leading supplier of Eurasia's gas, it enjoys a position of supply dominance unmatched by any energy provider—except Saudi Arabia in the petroleum field. Even in that realm, Russia is the planet's second leading producer, falling just 1.4 million barrels short of Saudi Arabia's 11.0 million barrels per day at the start of 2006. Russia also possesses the world's second largest reserves of coal (after the United States) and is a major consumer of nuclear energy, with 31 operational reactors.

Soon after assuming power as president in 1999, Vladimir Putin set out to convert this superabundance of energy—the economic equivalent of a nuclear arsenal—into the sort of political clout that would restore Russia's great-power status. By controlling the flow of energy to other parts of Eurasia from Russia and former Soviet republics like Kazakhstan and Turkmenistan (whose energy is exported through Russian pipelines), he reasoned, he could exercise the sort of political influence enjoyed by Soviet officials during the heyday of the Cold War. To accomplish this, however, he would have to reverse the wide-ranging privatization of the oil and gas industry that occurred in the early 1990s after the breakup of the USSR and bring vital elements of Russia's privately-owned energy industry back under state control. Since there was no legitimate way to do this under Russia's post-Communist legal system, Putin and his associates turned to illegitimate and authoritarian methods to de-privatize these valuable assets. Here, we see another emerging face of Energo-fascism.

Remarkably, Putin himself had long before spelled out the rationale for concentrating control over Russia's energy resources in the state's hands. In a 1999 summary of his Ph.D. dissertation on "Mineral Raw Materials in the Strategy for Development of the Russian Economy," he asserted that the Russian state must oversee the utilization of the country's mineral raw materials—including oil fields in private hands—for the good of the Russian people. "The state has the right to regulate the process of the acquisition and the use of natural resources, and particularly mineral resources, independent of on whose property they are located," he wrote. "In this regard, the state acts in the interests of society as a whole." No better justification for Energo-fascism can be imagined.

The most famous expression of this outlook has been the so-called Khodorkovsky Affair. In 2003, Mikhail Khodorkovsky , the CEO of Yukos, then Russia's top oil producer, was arrested on fraud and tax-evasion charges. He had run afoul of Putin by pursuing all sorts of energy deals independent of the state, including possible joint ventures with Exxon Mobil, and by supporting anti-Putin political forces inside Russia—either of which would have alone been sufficient to earn him the Kremlin's wrath.

However, it is now apparent that Putin's ultimate goal in engineering the arrest was to seize control of Yuganskneftegaz, Yukos' prime asset, accounting for about 11 percent of Russia's oil output. With Khodorkovsky and his top associates in prison awaiting trial, the government auctioned Yuganskneftegaz to a secretive shell company, which then resold it to state-owned Rosneft at a below-market price. In one fell swoop, Putin had managed to dismember Yukos and turn Rosneft into the country's leading oil producer.

The Russian president has also sought to extend state control over the distribution and export of oil and gas by blocking any effort by private firms to build pipelines that would compete with those owned and operated by Gazprom, the state-owned natural gas monopoly, and Transneft, the state oil-pipeline monopoly. The United States and other consuming nations have long pushed for the construction of privatized oil and gas pipelines in Russia to increase the outflow of energy to Europe and other foreign markets as well as to dilute the power of Gazprom and Transneft. The Kremlin has, however, systematically foreclosed all such efforts.

If the concentration of ownership of energy assets in the state's hands through legally dubious means is one dimension of emerging Energo-fascism in Russia, a second is the utilization of this power to intimidate have-not states on Russia's periphery. The most notable expression of this to date was the cutoff of natural gas supplies to Ukraine on January 1, 2006. Ostensibly, Gazprom stopped the flow in a dispute over the pricing of Russian gas, but most observers believe that the action was also intended as a rebuke to Ukraine's Western-leaning president, Victor A. Yushchenko. Remember, this was in the dead of winter, and natural gas is the main source of heat in Ukraine, as in much of Eastern Europe and the former USSR. Gazprom resumed the flow after a last-minute pricing compromise and following vociferous complaints from Western European customers who were suffering their own losses (as the Ukrainians diverted Europe-bound gas for their own use). This was the moment when it became clear to all that Moscow was fully prepared to open and close the energy spigot as a tool of foreign policy.

Since then, Moscow has employed this tactic on several occasions to intimidate other neighboring states in what it terms its "near abroad" (as the U.S. used to speak of Latin America as its "backyard"). On July 29, 2006, claiming a leak, Transneft halted oil shipments to the Mazeikiu refinery in Lithuania after its owners announced its sale to a Polish firm, not a Russian one. Observers of the move speculate that Russians officials intended to force a Russian takeover of the refinery.

In November, Gazprom threatened to more than double the price of natural gas to its former Georgian SSR from $110 to $230 per 1,000 cubic meters. The alternative offered was a cessation of deliveries. Again, political pressure was believed to be at least part of the motive as Georgia's pro-Western government has defied Moscow on a wide range of issues. In December, Gazprom pulled the same sort of trick on Belarus, demanding a major readjustment of prices from a close (and impoverished) ally that had recently been showing mild signs of independence.

This, then, is another face of Energo-fascism in Russia: the use of its energy as an instrument of political influence and coercion over weak have-not states on its borders. "It is not that energy is the new atomic weapon," Cliff Kupchan of the Eurasia Group consultancy told the Financial Times, "but Russia knows that petro-power, aggressively and cleverly applied, can yield diplomatic influence."

Big Brother and the Nuclear Renaissance

President Bush has repeatedly spoken of his desire to foster greater reliance on nuclear power and the administration-backed Energy Policy Act of 2005 already provides a variety of incentives for electrical utilities to build new reactors in the United States. Other countries including France, China, Japan, Russia, and India also plan to up their reliance on nuclear power, greatly adding to the global spread of nuclear reactors... Many problems stand in the way of this so-called renaissance, not least the mammoth costs involved and the fact that no safe system has yet been devised for the long-term storage of nuclear wastes. Furthermore, despite many improvements in the safety of nuclear power plants, worries persist about the risk of nuclear accidents such as those that occurred at Three Mile Island in 1979 and Chernobyl in 1986.

Currently, America's municipalities, counties, and states still exercise considerable control over the issuance of permits for the construction of new nuclear power plants, giving citizens in these jurisdictions considerable opportunity to resist the placement of a reactor "in their backyard." If this practice prevails, we are never likely to see a true "renaissance" of nuclear power here, even if a few new reactors are built in poor rural areas where citizen resistance is minimal. The only way to increase reliance on nuclear power, therefore, is to federalize the permit process by shunting local agencies aside and giving federal bureaucrats the unfettered power to issue permits for the construction of new reactors.

Unlikely, you say? Well consider this: The Energy Policy Act of 2005 established a significant precedent for the federalization of such authority by depriving state and local officials of their power to approve the placement of natural gas "regasification" plants. These are mammoth facilities used to reconvert liquified natural gas, transported by ship from foreign suppliers, into a gas that can then be delivered by pipeline

to customers in the United States. Several localities on the East and West coasts had fought the construction of such plants in their harbors for fear that they might explode (not an entirely far-fetched concern) or become targets for terrorists, but they have now lost their legal power to do so. So much for local democracy.

Here's my worry: That some future administration will push through an amendment to the Energy Policy Act giving the federal government the same sort of placement authority for nuclear reactors that it now has for regasification plants. The feds then announce plans to build dozens or even hundreds of new reactors in or near places like Boston, New York, Chicago, San Francisco, Los Angeles, Denver, and so on, claiming an urgent need for additional energy. People protest en masse. Local officials, sympathetic to the protestors, refuse to arrest them in droves. But now we're speaking of defiance of federal, not state or municipal, ordinances. Ergo, the National Guard or the regular Army is called up to quell the protests and protect the reactor sites—Energo-fascism in action.

The State's Iron Grip

All the phenomena discussed in this two-part series—the transformation of the U.S. military into a global oil-protection service, the growth of the energy equivalent of a major-power arms race, the emergence of Russia as an energy superpower, and the need for increased surveillance over the nuclear power industry—are expressions of a single, overarching trend: the tendency of states to extend their control over every aspect of energy production, procurement, transportation, and allocation. This, in turn, is a response to the depletion of world energy supplies and a shift in the locus of energy production from the global North to the global South—developments that have been under way for some time, but are bound to gain greater momentum in the years ahead.

A CAMPAIGN TO CONTACT THE EDITORS OF AMERICA

An excellent suggestion from Technocrat Walt Fryer: Member of Unit A R.D.11353 - Edmonton AB CA

If you scan the masthead of most any periodical publication these days, the editor will often provide an email address. I suggest then that members of Technocracy use such email addresses to directly contact these editors with a brief but provocative message on Technocracy. An editor who receives such a message must then be aware that such an organization does indeed exist. That would be an immense step forward for our organization and costs practically nothing. The message may not get past the editor's desk. It may even be diverted by a secretary before it gets to him, especially in larger periodicals. It will seldom be answered. There may be no follow-up. But there will be a net gain I am sure.

Keep a record of such contacts. Repeat perhaps in six months or a year. There are some tens of thousands of targets, continent-wide. If we are short of members to take on this task in some areas, then whole regions could be assigned for action by willing members. Instructions on making up lists available from public libraries and such would be useful, as well as suggested messages for inclusion in the email. It requires leadership and direction by CHQ. This campaign will not sign up new members, but it will increase the consciousness of a group of key people to the existence and challenge of Technocracy. .. The type of campaign could be extended to educational institutions and other groups where email addresses are available. But, Editors are a key group.
I have been using my one paragraph panel headed "Technocracy Responds to the 'Peak Oil' Crisis". I have had one response. (James Howard Kunstler, author of 'The Long Emergency').