

BRUCE BARTLETT

## Synthetic fuel booty

**T**HE LONG GAS LINES IN the Washington, D.C., area and other parts of the country have put renewed pressure on Congress to "do something" about the energy shortage. Having proven itself incapable of, on the one hand, eliminating the price controls that discourage production, or, on the other, adopting restrictive energy conservation measures, Congress has instead turned to a new proposal. It is one beloved by the AFL-CIO, the U.S. Chamber of Commerce, the National Association of Manufacturers, the American Gas Association, and the oil shale industry: a \$100 billion crash program to develop synthetic fuels. But the program probably won't work, and the U.S. consumer will be left holding the bag while big companies reap huge profits at no risk.

Synfuel is a broad term for usable oil and gas manufactured from coal, oil shale, tar sands, and other unconventional sources. The basic process through which this transformation takes place is not new. It was first developed by the Germans during World War II and is known as the Lurgi process. At present the South Africans and the Canadians are the only ones making large-scale use of synfuels. The South Africans have been manufacturing oil from coal since 1955 and are at present expanding their facilities, and the Canadians are engaged in making oil from tar sands. In both cases, however, the projects are heavily subsidized by government.

The reason why synfuels have never been developed by private industry in

the United States (or anywhere else for that matter) is quite simply the cost. Even with the high OPEC price for oil, it is still about 50 percent more costly to manufacture synthetic oil from coal. And even this cost estimate may be optimistic, for as yet there have been no commercial-scale synfuel plants built in the United States that can yield cost data. Indeed, consistently, the more economists and engineers study the subject, the higher the cost estimates go. As Harry Perry, an engineer with Resources for the Future, puts it: "The closer you get to building the plant the more you take a real hard look on the ground and the more the costs go up."

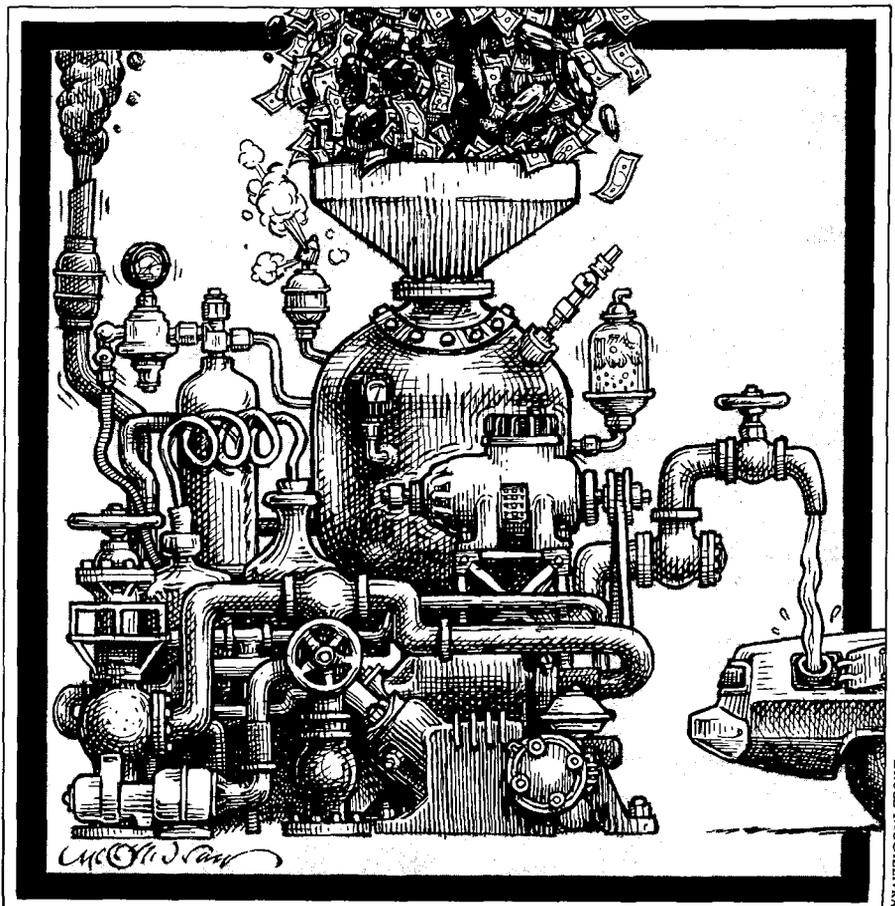
In order to get around this fundamental stumbling block, those favoring synfuel development have been trying for at least four years to get the government into synfuels in a big way. Back in 1975 Vice President Nelson Rockefeller first suggested the need for a massive synthetic fuel development program. He proposed a \$100 billion package of grants, loan guarantees, subsidies, and price supports, with an Energy Independence Authority largely to launch synfuel and other new energy sources.

Hoping to be able to push the pro-

gram through, one piece at a time, the administration proposed as a start a \$6 billion loan guarantee program to build commercial-scale synthetic fuel plants. The measure was tacked onto the Energy Research and Development Administration authorization bill for 1976 by the Senate after the bill had already passed the House. There were no hearings, virtually no debate, and little opposition to the synfuel amendment in the Senate. The loan guarantee program was approved by a vote of 80 to 10.

Passage in the Senate put opponents of synfuels in the House in a difficult position. Because the synfuel amendment was retained in conference, they had to try to strike that section from the conference report on the House floor, a very difficult thing to do. Nevertheless, thanks to quick work by a coalition of fiscal conservatives and environmentalists opposed to the synfuel loan guarantees, and a timely editorial against the plan by the *Wall Street Journal*, the synfuel section of the bill was deleted by a vote of 263 to 140.

Undaunted by this setback the Ford administration returned the following year with a new request for a mere \$2 billion to build two synthetic fuel plants. The House Science and Tech-



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nology Committee, under the leadership of its strongly prosynfuel chairman, Olin Teague of Texas, doubled the size of the program and sent it on for additional consideration by the House Banking Committee and the Interstate and Foreign Commerce Committee.

**A**S THE LOAN GUARANTEE bill moved through the committees the opposition increased. Environmentalists like Representative Richard Ottinger of New York argued that large-scale development of synfuels would be a disaster for the environment because such production will necessitate large-scale surface mining for coal and oil shale. They also argued that cleaner, more economical, second-generation synfuel processes are in the offing and that money invested in currently available synfuel technology would be wasted. Lastly they expressed fear that a heavy investment in synthetic fuels would close off development of solar energy and other alternative sources.

On the other hand, fiscal conservatives were largely concerned about three things: existing government policies such as price controls that discourage the development of conventional oil and gas, the use of government loan guarantees to finance the project, and the fact that synfuel is uneconomical to produce. Typical were the comments of Representatives James Broyhill, James Collins, Samuel Devine, and John McCollister, in dissenting from the Interstate and Foreign Commerce Committee report on HR 12112: "Such programs as HR 12112 will weaken the free enterprise system by artificially supporting the development of industries which are being stifled by overregulation. These same industries would most likely flourish in a free market environment. . . . The loan guarantee program is essentially a government subsidy to pay for government regulation."

Unfortunately for the supporters of synfuels, the General Accounting Office supported the critics on almost every point. In a report issued on August 24, 1976, the GAO said flatly that "government financial assistance for commercial development of synthetic fuels should not be provided at this time." The GAO report had a devastating impact on the synfuel bill, but what may have been the final blow was delivered by Representative Ray Madden of Indiana, chairman of the House

Rules Committee. On September 23, 1976, the House took up consideration of a rule to provide for floor debate on the synfuel bill. In an unprecedented action Madden urged his colleagues to vote down the rule, which would effectively kill the bill. "This is not only a turkey, it's a gobbler," he said. The House then proceeded to vote it down by a one-vote margin, 192 to 193.

**N**OTHING MORE WAS heard about synfuels during the Ninety-fifth Congress, but now, like a phoenix, the synfuel bill is back again. This time however the synfuel supporters are being much more clever and have successfully disarmed the opposition by selling the program as a defense measure.

For some reason, when the Defense Production Act of 1950 came up for reauthorization earlier this year it was referred to the House Banking Committee. There it was referred to the Economic Stabilization Subcommittee chaired by Representative William Moorhead of Pennsylvania. Moorhead has long been a staunch supporter of synfuels and by coincidence among his constituents is the Koppers Company. The Koppers Company is heavily involved in coal gasification and has strongly backed earlier government synfuel proposals. Thus the Defense Production Act was linked to a new synfuel bill that included an open-ended loan-guarantee authority for the building of at least five synfuel plants capable of producing 500,000 barrels of synthetic crude oil per day by 1984.

The Moorhead bill moved quietly through the Banking Committee and was reported out on May 15 with only one dissenting vote. Apparently the combination of gas lines and alleged national security implications demolished the opposition. Moorhead's home-town paper, the *Pittsburgh Press*, for example, likened his bill to a necessary wartime measure. So closely was synfuel associated with American defense that Jack Anderson quoted one committee member as saying, "By turning this into a defense bill I had to vote for it even though I'm dead set against it." This view seems to be widespread. Even Ottinger, who led the opposition in earlier years, has now climbed on the bandwagon.

The relative ease with which the synfuel bill seems to be advancing, in contrast to earlier years, has encouraged its supporters to push for even more. Thus Representative Jim

Wright, House majority leader, pushed on the House floor for a massive expansion of the synfuel program. This action authorized an increase from a target of 500,000 barrels per day to 2 million per day. Since the Congressional Budget Office estimates that the Moorhead bill may cost as much as \$22 billion, this puts the Wright plan in the \$88 billion range at least. In addition, Senator Henry Jackson has come up with his own energy bill that would, among other things, authorize \$5 billion to build fifteen synfuel plants. In order to spread the wealth around and attract cosponsors Jackson made a point of specifying the following projects:

—\$500 million for the Solvent Refined Coal I project in Kentucky (supported by Senators Wendell Ford and Walter Huddleston);

—\$700 million for the SRC II project in West Virginia (supported by Senator Robert Byrd);

—More than \$1 billion for high- and low-BTU coal gasification projects in Ohio and Louisiana (supported by Senators Howard Metzenbaum and Bennett Johnston);

—Geothermal plants now tentatively set for Idaho, California, and New Mexico locations (supported by Senators Frank Church, Alan Cranston, and Pete Domenici);

—\$300 million in loan guarantees for an urban and industrial waste conversion plant (supported by Senator Bill Bradley of New Jersey); and

—\$250 million for a new fuel-cell demonstration program pushed by United Technologies Corporation of Connecticut (supported by Senator Lowell Weicker).

A rather ominous section of the Jackson bill would essentially abolish what protection from pollution we have now. Section 204 of Senator Jackson's bill gives the secretary of energy authority to classify a proposed energy facility as a priority project. When such a determination is made the project becomes exempt from portions of environmental laws, and the right to challenge such action in court is severely limited. Certainly petty environmental rules have hampered energy production on numerous occasions, but giving Jim Schlesinger the sole power to authorize pollution or override environmental safeguards would hardly seem to be the best approach. Moreover, Senator Domenici and ten others have introduced a \$75 billion synfuel plan to produce five

million barrels of oil equivalent per day by 1990. And Representative Carl Perkins, who is from a coal-rich district in Kentucky, has rammed through the House Education and Labor Committee—of all places—a \$200 billion synfuel program that would make extensive use of coal.

**I**N ORDER TO BUILD SUPPORT for the Jackson-Moorhead-Domenici-Perkins energy plans a sophisticated public relations effort is being geared up. The same week that Jackson's bill was introduced, major articles and editorials in favor of synfuels appeared in the *Washington Post* (which had opposed synfuel editorially in previous years), *Newsweek*, and the *New York Times*. One proposal in particular that received wide attention was authored by three influential Washington, D.C., veterans: Paul R. Ignatius, former secretary of the navy and former president of the *Washington Post*; Eugene M. Zuckert, former secretary of the air force; and Lloyd N. Cutler, senior partner in one of Washington's biggest law firms. Each piece essentially repeated the same line: Synfuels may be expensive but it is better

still valid. It makes no sense to rush headlong into developing synthetic oil at a cost of \$30 to \$40 per barrel when the wellhead price of lower-tier domestic crude is held down to \$5.75 per barrel and foreign oil can be purchased for about \$20 per barrel.

The fact that loan guarantees would be used to build these synfuel plants in no way diminishes their actual economic cost. As Assistant Secretary of the Treasury Gerald Parsky testified on an earlier synfuel loan guarantee program:

"Any type of federal financial assistance resulting in the undertaking of energy projects which would not otherwise have been undertaken will lead to some redirection of resources in our capital markets. Such incentives increase the demand for capital while having little or no effect on the overall supply of capital. They tend to cause interest rates to rise and channel capital away from more economic uses to less economic uses. In short, the proposed program of Federal incentives will direct capital away from other areas of our economy into synthetic fuels production."

Many argue for this kind of redirec-

It would be foolish for a company contemplating construction of a synfuel plant to do so on its own when the government stands ready to assume all the risk. This is what primarily bothered the lone dissenter on the House Banking Committee, Representative Ron Paul of Texas, about the Moorhead bill.

"As a proponent of free enterprise capitalism," Paul said, "I find it quite disturbing that we are continuing on a course of subsidizing private corporations and creating government corporations to achieve the goals of the Defense Production Act. In view of the fact that the government, that is, the American taxpayer, is assuming the risks of both the lending institutions and the corporations themselves, this bill might better be called the 'Corporation Welfare Rights Act of 1979' . . . Beside HR 3930, the bailouts of Lockheed and Penn Central pale into insignificance. What we see in HR 3930 is a blueprint for the combination and collusion of big government and big business to exploit the American middle class, the American taxpayers."

Unfortunately, it seems very unlikely that Representative Paul's view will prevail. On June 26, the House of Representatives approved the Moorhead bill by the lopsided vote of 368 to 25. Conspicuously not among those who voted nay were such environmentalists as Ottinger, Patricia Schroeder, and Andrew Maguire, and such fiscal conservatives as John Ashbrook, Philip Crane, and Robert Dornan. The twenty-five dissenters, almost evenly divided between Republicans and Democrats, were a small but heroic band of the most resolute environmentalists and fiscal conservatives. Apparently Representative Toby Moffett was guilty of gross understatement when he said before the House vote, "The synfuel thing is greased. You've never seen such a locomotive."

The Senate's response now remains unclear. The Defense Production Act was passed by voice vote on June 20 without the synfuel section. On June 27 the Senate decided to hold additional hearings on the synfuel section of the Defense Production Act, but since the section was referred jointly to the Senate Energy Committee, the Governmental Affairs Committee, and the Banking Committee, this could turn into the biggest "Christmas tree" bill of all time, with every senator attaching his pet energy program as an ornament. □

## **Consumers will be left holding the bag while big companies reap huge profits at no risk.**

to pay the price than to be dependent on OPEC any longer. As the *Times* put it:

The arguments against a crash program for synthetic fuels are strong, and until recently they would have been persuasive. Much of the money is likely to be wasted, since no one is sure which production techniques are cheapest or how best to manage their development. The opportunities for pork-barreling and corruption would be plentiful. . . .

But five years of dissension and half-measures have changed that outlook. Americans bitterly resist solutions that require them to face the limits of their influence over foreign energy suppliers. Synthetic fuels offer a way out that fits the nation's image of itself and allows the inevitable economic sacrifices to be seen as the consequences of American strength, not weakness.

One can have sympathy for the view that OPEC should not have the control it does over world fuel prices, without sinking \$100 billion into questionable energy technologies. The arguments against the first two synfuel bills are

tion of capital as if there were a legitimate national-security factor involved, or as if we were dealing with businesses somehow barred from access to capital markets. Yet the military uses only about 2 percent of U.S. crude oil consumption, so it cannot be claimed that national security is involved. In fact, Department of Defense officials who testified on the Moorhead bill refused to endorse it as necessary for national defense. Moreover, the companies involved with synthetic fuels are among the largest, such as Gulf, Shell, Exxon, Amoco, and Occidental Petroleum.

**I**T WOULD APPEAR, IN THE final analysis, that companies that might be interested in synthetic fuel development, especially as the price of foreign crude goes higher, may well hold out for government loan guarantees and price supports because they expect Congress will provide them.

# HOW DAN WHITE GOT AWAY WITH MURDER

## And how American psychiatry helped him do it.

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By Thomas Szasz

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**T**HERE IS NO QUESTION THAT A TRAVESTY of justice occurred in the trial of Dan White. How could the killer of San Francisco Mayor George Moscone and Supervisor Harvey Milk—who fired nine bullets into his victims and shot each one twice in the back of the head, execution-style—not be found guilty of murder?

The answer is: Easily.

Anything is possible in human affairs if one has the power to redefine basic concepts—to say that day is night, that two plus two make five—and get away with it. In the trial of Dan White, the defense, aided and abetted by the prosecution, had the power to hand the case over to the psychiatrists, and the psychiatrists had the power to redefine a political crime as an ordinary crime, and an ordinary crime as a psychiatric problem. How did psychiatry gain such power? By having seized it, long ago; and by society not resisting—indeed welcoming—that seizure of power.

To understand the White affair, we must understand some things about the recent history of American psychiatry. During World War II American psychiatry became very useful to the military authorities by offering an ostensibly medical mechanism for disposing of useless or unwanted military personnel. That mechanism was the

so-called NP (for neuropsychiatric) discharge. Approximately half of those separated by “medical” discharges from the military services received NP discharges. At the time, this was considered to be a great medical-humanitarian achievement. It is still so considered. The psychiatrist most responsible for it, William Menninger, was hailed as a great physician and a benefactor of the nation. Why? Because he, and the countless psychiatrists who participated in that gigantic con game, offered to obscure, and thus to deethicize and depoliticize, one of the most obvious and painful moral problems that then faced the nation—namely, the obligation to serve in the armed forces, with the grave risks to life and limb attendant on that obligation. That wartime psychiatrization of fear, self-protection, cowardice, pacifism, wisdom—call it what you may—laid the foundation on which American psychiatrists and the other enemies of freedom and dignity have been building their castles ever since.

At the end of the war, American psychiatry lost no time demonstrating its usefulness to the country at peace. Ezra Pound, one of the greatest poets of his time, was indicted for treason—a charge he vehemently denied. Whether he was innocent or guilty of that crime, psychiatry spared the nation the need to undergo the political soul-searching that his trial would have generated. Prosecution and “defense” conspired to declare Pound mentally unfit to stand trial, condemning him instead, without trial, to serve a thirteen-year sentence in St. Elizabeth’s Hospital, the nation’s model psychiatric dungeon in Washington, D.C. Pound’s jailer

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