there, the primary consideration being the insecurity of Occidental's crude supplies.[46] In this way, nationalization has meant increased monopolistic control of the international market. Finally, OPEC has proved to be an ad man's dream and the majors were quick to exploit this angle. American and Western European workers were soon bombarded by chauvinist propaganda, which very often included populistic diatribes against the OPEC "cartel."

At about the same time that OPEC assumed responsibility for production overseas, increasing pressure was being placed on the system of oil import quotas which prevented the flow of foreign oil into the U. S. domestic market. Due to the fact that an important element of the ruling Democratic coalition was the domestic oil and gas producers represented by politicians like Lyndon Johnson, the oil import quotas seemed secure. However there was considerable sentiment for free trade measures at the time and the quota system came under increasing fire. In 1967, Secretary of the Interor Udall urged Congress to eliminate the quotas:

> Since World War II, the growth of oil production outside the U. S. has been tremendous. . . . Free foreign production has increased from 2 million bbl. per day in 1946 to more than 18 million bbl. per day in 1966; and more than half of this production has resulted from activities of the U. S. This growth of production has had tremendous effect upon international trade and has exerted intense pressure for increased imports into the U. S. Oil production in many of these areas is prolific compared to the U. S. For example, it is not uncommon for a well in the Mideast to produce more than 5,000 bbl. a day, while the average production per well in the U. S. is about 12 bbl. a day. . . . Imports into the U. S. have remained almost constant since the inauguration of the mandatory oil import program of 1959.[47]

Although the pressure of the market forced gradual liberalization of the quotas, it was not until after the election of Nixon in 1968 that the quotas were effectively eliminated.

By 1973 imports represented 36.1% of U. S. demand, compared to 21.2% in 1968; the growth of total imports averaged 12.9% per year between 1968 and 1976 versus an annual growth rate of domestic demand for refined products of only 3.7% for the same period.[48] However, through their still considerable political clout, domestic producers and refiners were able to force allocation of foreign imports to all refiners, both majors and independents, through the "ticket" system. Under this system the refiner had to buy "tickets" from the federal government before purchasing specified amounts of foreign crude, thereby providing for the allocation of foreign oil to all refiners. This measure had the effect of temporarily narrowing the price differential between foreign and domestic supplies, thus preserving a market share for the purely domestic producer. Furthermore, it insured the independent refiner some protection from becoming totally dependent upon the major-dominated international market.

Events however soon proved too much for the domestic oilmen. When the bulk of the Nixon controls were lifted, government regulation of petroleum prices remained. Thus, when the price of OPEC oil shot up dramatically in early 1974, domestic prices were not allowed to rise as well. Under normal market conditions domestic prices would have risen to levels slightly below OPEC prices, thus maximizing the domestic producers' profits while undercutting OPEC's market position. However, government regulation did not permit this to happen. Instead, the system of entitlements was erected by which those refiners who were dependent upon foreign crude received government subsidies (or "entitlements") according to their consumption of the now higher priced imported crude. On the other hand, refiners who processed mainly domestic crude were forced to buy entitlements in order to use the lower priced oil. The net effect of this program was to set the price of crude within the U. S. at a point roughly the average between foreign and domestic prices. As one 1974 study of energy prices pointed out, these government programs and controls "have been factors tending to encourage price differentials between domestic and foreign crude oil."[49] Domestic producers were allowed a gradual price hike in order to make the deal politically palatable, but in no sense would they be permitted to undermine the OPEC price floor. Monopoly control of international oil prices had become reality.

V

Defeat of the American domestic producers by the international oil giants operating behind the smokescreen of OPEC is the environment within which the Carter energy program was conceived. It is the disparity of price between domestic crude and foreign crude as well as the potential threat domestic producers represent to the maintenance of the cartel's prices which provide the chief impetus to the bill's features. This accounts for the intensity of struggle and bitterness of debate which have characterized the energy plan's passage through Congress and its subsequent stalemate. Stripped of its nonessential features, the Carter plan contains two major provisions: (1) The crude oil equalization tax, and (2) the continued regulation of natural gas. Therefore it is not surprising that it is precisely these two features that have provoked the most debate.

Energy chief James Schlesinger has called the crude oil equalization tax the "centerpiece" of the Carter plan. The tax is designed to replace the current system of entitlements as a means of mediating the difference between domestic and foreign prices. As noted above, the entitlement program delivers the crude to refiners at a cost roughly the average between world and domestic prices. In September 1975 for example, the average domestic price was $8.49 and the international price