

Oil companies said to be amassing "alarming wealth"

The Associated Press

WASHINGTON — Citing an "alarming transfer of wealth," a congressional report concluded Wednesday that vast profits of U.S. oil companies are reducing the status of the United States to that of a lesser-developed country.

The report by the staff of the House Energy and Commerce investigations subcommittee said virtually all the growth of the U.S. economy is flowing into oil company treasuries — at the expense of the rest of the country.

Michael F. Barrett Jr., the subcommittee's staff director, noted in a summary of the report that of the \$19.6 billion in increased profits recorded by all Fortune 500 companies between 1978 and 1980, \$19.2 billion — 98 percent — went to only 56 energy-related companies.

"An even more staggering statistic is that in the Fortune 1,000 list, 82 oil and gas companies obtained 96 percent of the total net income increase,"

he said.

"This meant that more than 900 other companies got to share 4 percent of the total profit increase," he said. "In fact, if adjustments are made for inflation, we have a negative increase in profits — that is, we have a sharp decline in real profits for all companies other than energy companies."

The report was prepared by Dr. Milton Lower Jr., an economist on the subcommittee staff, based on profit data published by Fortune magazine.

A spokesman for the American Petroleum Institute said the organization had no immediate comment because it had not seen the report.

Rep. John Dingell, D-Mich., the committee's chairman, described the report as "rather startling" and said its conclusions would be explored by the panel during its continuing hearings on capital formation and industrial policy in the U.S. economy.

The shift in profits to the oil companies is important,

Barrett noted, because it deprives U.S. industry of the capital it needs to build and expand plants.

"Capital that would have been available to rebuild American industrial machinery across the economy has been diverted into energy.

Even the vast profits resulting from higher prices may not

have been enough for the oil companies, Barrett said, citing "substantial evidence of illegal and questionable practices" by the industry.

He noted that in the final days of oil price controls last January, oil companies filed production reports indicating "negative production" of some 3.3 million barrels — in effect

saying oil was being pumped back into the ground rather than being sold at old controlled prices.

— "We know this did not happen," Barrett said. "A substantial question arises whether the federal government may not have been cheated with respect to the windfall profit taxes."