

National Birthright

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Chapter 1

The Real Root of Today's Energy and Financial Crisis (Unedited Version)

Although truth and reality have no substitute, most of the time people are not ready for the truth. In the 1992 movie "A Few Good Men," Col. Nathan R. Jessep (played by Jack Nicholson) said "You want the truth. You cannot handle the TRUTH!" – in reference to what the American people can or cannot accept as reality. However, I think the character was flawed and was probably wrong. In the final analysis, although Americans normally want to hear just good things, the American people will acknowledge the true blame and rise to the occasion. That is who we are and that is what America was built on.

Therefore, let me start out by stating that although my initial statements may seem far fetched, in the following pages you will quickly understand the reality of the statements.

The current world financial crisis is blamed on a variety of organizations and people. We are blaming Wall Street, we are blaming real estate brokers, appraisers, corporate executives, we are blaming the oil companies, short traders, Congress, we are blaming the OPEC nations. In reality all of these parties had a role but the true villain still lies beneath the radar.

Let us follow the domino effect backwards up line to see who started the first domino to topple. First of all, during the early years of the 21st century, property values around the United States began to appreciate and in some areas the appreciation was quite sudden. There are places in California where property values almost doubled overnight and some places where they even tripled. The

Chapter 1: The Real Root of Today's Energy and Financial Crisis

economy was booming and everyone felt that there was no limit to our prosperity.

Everyone involved in the housing market had the same idea. The belief existed that even if the mortgages were given to home owners at up to 100% of the appraised value, and in some cases even over the appraised value, that it was okay because the housing market indicated that houses would appreciate substantially in the future and loans were safe because of the estimated future equity of the property. Therefore, the economy was strong, the housing market would fix itself and everybody would be covered.

Therefore, who is to blame? They all thought the same thing and they benefited from the immediate fruits of the money supply to the housing market. Greed and optimism prevailed and the economy was strong with the DOW approaching 14,000.

Now, we must go back in time to find out how our economy failed. History teaches us that civilizations rise and fall based on the availability of adequate energy to run their economy. I will not elaborate on this point as it is just a fact. The Industrial Revolution was primarily based on the availability of cheap energy that then sparked the innovation of the scientists and inventors to come up with new products that raised the standard of living.

If you doubt the economic power of energy, just consider the following excerpts from the October issue of Fortune magazine:

"The Russian stock market shut down for almost 3 days when cascading margin calls crushed prices. At the same time, some of the nation's 1,200 banks are tottering."

Chapter 1: The Real Root of Today's Energy and Financial Crisis

" Russia shut down its stock exchange altogether."

Even with Russia's financial structure failing, the article went in to say, *"Russia should manage a 7% growth in 2007, thanks to continuing torrid demand for its biggest resource, oil and gas."*

In contrast, the U.S. will probably have negative growth in 2008, since we have shelled out \$700 billion dollars for our imported oil needs.

The basis of the start of our calamity was energy. Remember, the transportation industry employs directly or indirectly one seventh of the work force in the United States. If the price of oil would have stayed at forty dollars a barrel, our economy would have not declined at all and everything would have been fine including the housing market. But that didn't happen, the critical turning point really was the violent increase in oil prices which caused the beginning of the domino effect. Everything became more expensive. People and industry paid more for fuel and directly affected the airlines, automakers and the transportation industry. Hundreds of billion of dollars began to leave the United States. The dollar weakened to record levels. The largest change in wealth, unprecedented in the history of the world, began to change hands out of the U.S. into mostly unfriendly nations. Even this was one of the the effects and not the cause of the real problem. For the real answer we must go back further.

There is an abundance of evidence (including much information on the author's website JosephLaStella.com) that substantiates the beginning of the domino effect. The story indicates problem began back fifteen years ago. It was quite evident for a long time that the United States was going to rely on foreign oil for the foreseeable future and nobody wanted to bite the bullet to solve this problem especially the American public. There is plenty of information that indicated we

Chapter 1: The Real Root of Today's Energy and Financial Crisis

should have increased taxes on gasoline by one dollar a gallon prior to 1990. Even with this increase, the U.S. gas prices would have still been far below Europe. That one dollar per gallon income would be used solely for the purposes of establishing an energy independent economy. However, any legislator that would have introduced that bill or was even talking about it could not be elected to any office because the American people did not want to pay attention. If we would have done that, we would now have \$30 dollar per barrel oil, or lower, and we would be energy independent. All that money would have been spent to create a new industry, create new jobs and make this country the strongest nation in the world. But the American people were too busy buying their fat cars and worrying about where they would spend their next vacation and how to buy their next larger house. Congress was too busy fighting over a comprehensive Energy Bill for the past 15 years and later, in 2000, over whom was going to spend the U.S. surplus (not deficit) budget. Nobody wanted to bite the energy bullet. Instead of using tax or surplus money to create a strong energy society, today we BOW to people who hate us and would like to see us dead.

Existing Federal Programs Could Have Saved The U.S. Economy

Also in those years, there were two federal research programs that could have bailed us out and could have given us the technology to be energy independent. In 1995, a 17-year study on cellulosic ethanol was completed at the Tennessee Valley Authority, a National Laboratory at that time. The 17-year study would have been the basis for the cellulosic ethanol industry that we very much need today to replace gasoline with ethanol from non-food waste material (municipal and agricultural waste products, wood waste, etc.) but this program was terminated in 1995.

In the same year, the second piece of our energy independence was killed. Under

Chapter 1: The Real Root of Today's Energy and Financial Crisis

the U.S. Dept. of Energy a program called the Aquatic Species Program (ASP), which was also terminated after another 17-year period, incorporating 12 universities served as a basis for algae biodiesel, which would have replaced diesel permanently and would not impact food prices. Algae biodiesel is the only long term answer to replace diesel and this is not a matter of conjecture, this is a matter of quoting the statistics out of this important ASP report formulated by the National Renewable Energy Laboratory (NREL).

Both of these programs were ended under the Clinton Administration in 1995 because of the following statements made by the American Petroleum Institute (API):

- They believed that the price of oil would not exceed \$20 dollars a barrel for the next twenty years that is 2015. Obviously wrong.
- They quoted as a fact that imported oil was not a threat to the United States economy and security. Obviously wrong again.

The only two programs that could have been successful were terminated in 1995. When these programs ended and no additional government funding was collected through taxes on gasoline during this temporary available cheap oil period, nobody paid attention to our pending energy problems. The domino effect was put into motion and we are now at least ten years too late, it cannot be fixed in time to divert our present problems, there is no scenario to bail us out of this, we must now start from the 10 year delay. We need everything from cellulosic ethanol to algae biodiesel, to wind power, to solar energy, to coal gasification, biogas and nuclear energy, all needed immediately. However, none of these have neither the time to be brought on-line nor the money to build the giant infrastructures to offset the immediate economic problems, except one – energy conservation.

Chapter 1: The Real Root of Today's Energy and Financial Crisis

So, Americans have to tighten their belts. We have met the enemy and the enemy is ourselves. As history has also shown us, Americans always meet the challenge. The challenge is that we must conserve now, not tomorrow, TODAY. This requires little or no money, it can be done immediately and it can have enormous impacts even from the smallest conservation details.

One of the ways to immediately save 300,000 barrels of oil a day is contained on the one-minute video attached to this report. Please review as soon as possible. Other suggestions, which will be shown in other videos produced by GSPI, are as follows:

During the campaign when Senator Obama stated that checking the air pressure in vehicle tires would save fuel, the press made a joke out of the suggestion. The truth is that if Obama had been correctly schooled by his assistants he could have turned this situation around almost immediately. The correct fact is that if all Americans would just check the air in their tires we could save well over 100,000 barrels of oil a day. By today's standards that is nearly \$300,000,000 dollars a month on fuel cost. Several other facts that could have also been suggested: that tire pressure safety has a direct relationship to the car's braking ability, which is related to saving lives on the roads. We could save many lives on the roads by keeping the tires inflated properly. Furthermore, people would save money on tires and fuel. Another fact that should have been brought up is that when tires are under-inflated they grind up quicker and produce microscopic particles smaller than 10 microns (= < PM10) that float in the air and could end up in your lungs, where they may stay for your entire life. This is directly linked to lung cancer, heart disease and asthma. Tires pressure is linked to the environment, our health and well being. That is what Obama should have said and he would have been a hero instead of taking it on the chin. He needed stronger scientific support in his

Chapter 1: The Real Root of Today's Energy and Financial Crisis

media campaign.

Furthermore, there are other energy saving factors that could be brought up very simply to the American public to let them know how conservation is important. For example, if someone would just stand up and hold one of these new low intensity fluorescent light bulbs and tell the American public that if we all just substituted one of these lights, just one in each of our homes, we would save the equivalent in global warming gases of planting 50,000,000 trees. That's right, one light in every home is the equivalent of planting 50,000,000 trees and the energy savings would be directly connected to global warming reduction.

There are many other items that could be discussed. Another interesting example, without affecting our standard of living, we can conserve a tremendous amount of electrical energy to the point we don't need any more energy for quite a while including nuclear plants. I am not saying that we should not build power plants for the future, let me explain the above statements further.

California is usually looked upon by the other states as a high maintenance state where people drive around expensive cars, own expensive homes and the like. The truth is that the state of California, which is the eight largest economy in the World, uses forty percent less electricity per capita than all the rest of the United States, except for one other area, which is the Northeastern states, which also use much less energy than the rest of the United States.

So, we are not saying that we should be reducing our standard of living. Obviously, the Northeastern states and California have at least the same standard of living as the rest of the United States. If they can use 40% less energy so can the rest of us. If we just follow their energy conservation lead we would have excess electricity for a long time.

Chapter 1: The Real Root of Today's Energy and Financial Crisis

These are facts of life that need to be told to the American public. Americans are responsible for their own future. They did not elect officials that have guided our country to Energy Independence, they elected officials (both republicans and democrats) who told them what they wanted to hear (low taxes and more giveaways) and that is what they received. President Carter said the United States will never pay more than one dollar per gallon of gasoline. President Nixon said that the United States would never import more than 20% of its oil. The American people elected representatives in Washington that by-passed the truth to get elected.

How many more impossible promises are you going to demand from our presidential candidates before they get your vote?

Col. Nathan R. Jessep was definitively wrong, America CAN handle the truth. We just need leaders who will tell the American public that we all need is to cut back.

We are AmerCANS not AmeriCAN'Ts