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**Letter to OPEC: Stabilize oil prices**  
3/27/2007 7:00:00 PM GMT

By Deitric Muhammad

**This is a letter I wrote to OPEC on June 26, 2006 about the stabilization of oil prices.**

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In the Name of Allah, the Beneficent, the Merciful,

Dear Heads of State:

I have been reading about the latest OPEC summit in Venezuela concerning oil prices and productivity, the changing of currency from the U.S. dollar to the euro in order to properly determine the value of oil, and the use of OPEC as an equalizer between developed and developing countries. I believe it is my duty to help you all completely comprehend what's going on in the world markets concerning oil and to provide a solution to help OPEC do what it was designed to do: Stabilize the price of oil.

First of all, I would like to begin by saying thank you for taking the time to read this letter. Secondly, OPEC is free from blame for the skyrocketing oil prices that has been taking place since November 2003. Many economists believe that the tension in the Middle East, high inventories, and speculative buying are driving up oil prices. Although these events do affect the market price of oil, the effects are minimal.

I have warned of inflationary forces directly affecting world economies since November 2003. I have also warned of the dangerous effects caused by raising interest rates by the Federal Reserve. Economies and markets that are linked to the U.S. dollar will experience the market and economic swings of the U.S. economy. When the Federal Reserve raises interest rates, specifically the Fed Fund rate, this makes the cost of doing business higher. Businesses need to borrow money in order to expand their enterprises. If the interest rate of a loan becomes too high, borrowing will be discouraged. However, to pay for the interest on its debt, a company must increase the price of its product. This phenomenon is not necessarily inflation.

Since September 2005, the U.S. Treasury has sold billions of dollars of Treasury bonds -- taking billions of dollars out of circulation -- spurring a higher demand for U.S. dollars. This has not only relieved the American economy and economies linked to the U.S. dollar from inflationary pressure, but has eradicated inflation entirely. Actually, the U.S. is now in a deflationary economic period. This means that prices are falling-across the board.

The only reason why oil prices are not as low as they should be is because the raising of interest rates by the Federal Reserve in the U.S. has slowed the rate that prices are falling. In fact, you have all noticed the direct correlation between U.S. oil prices and the anticipation of and the actual raising of interest rates. If not, look at the dates in which the Federal Reserve has raised interest rates at its Open Market Committee on Monetary Policy and the dates in which oil prices "spiked".

Also, notice how after the U.S. economy adjusts to the new interest rate, oil prices begin to fall. Oil prices are falling. They are falling at a slower rate than they should.

There is a solution to stabilizing the oil market--permanently. This will take appropriate fiscal and monetary policies. For OPEC members in Africa and the Middle East, I have these policies detailed in our company's Economic Report for Fiscal Year 2006, which I will send to member states by request. For Latin America, I have a similar economic approach in which I will soon detail in this letter.

Although I do agree with His Excellency, President Chavez, that it is the attachment of oil to the U.S. dollar that is causing the great instability in the oil market, I believe it is fallible to link oil to



(newsfromrussia.com) "OPEC is free from blame for the skyrocketing oil prices"

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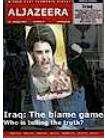
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euros as well. The United States and Europe have unstable currency regimes. As oil producing nations are responsible for the stabilization of the world oil market, I believe it would be best to stabilize and strengthen your nations' economies first. This will take sound monetary and economic policy. Price controls will not work. Market forces are too strong. It will be wise to attach your currencies to something real, like oil, gold, or a commodity basket with oil and gold as the majority portion.

The reason why I suggest gold and oil is the fact that these commodities are the most sensitive to changes in the value of a currency. Secondly, an optimized currency/commodity(or commodity basket) value should be established and maintained. This value should be set to where a debtor and creditor can borrow and lend money to one another without the fear of value fluctuation of the currency. The result of this will be currency stabilization by checking inflation and deflation at their earliest stages. Once this is established, OPEC nations can choose from amongst its members states, which currency should be linked to oil.

As for fiscal policy for the African Union and the Middle East, you can request our company's Economic Report FY2006. Latin America needs a sound fiscal policy that is customized for its unique circumstance.

I would like to begin by stating that Socialism/Communism and Capitalism are complimentary economic systems. Using a family for an example, each family member working or have his/hers own enterprises (Capitalism), but they pool their resources (Communism/Socialism) to help each other buy homes, take care of each other's medical expenses, etc. All their individual efforts are pooled to benefit the whole. Also at any given time, each individual can pull from the whole whatever benefits provided to facilitate each others' individual needs. Latin America is gradually becoming a strategic integrated economic union (SIEU). This economic trend is occurring throughout the globe in order to compete with the U.S.

However, it appears in Latin American countries and African countries, there is a leaning towards so-called "leftist" ideals. Although Socialism/Communism may be the "banner" in which these ideals are under, I believe the leaders of these nations, including His Excellency President Chavez, simply desire to no longer allow the poor of their country to suffer. This is being accomplished by first consolidating their nation's resources in a matter that initially shuts off foreign investments in and foreign control of those natural real assets, then implementing policies that allow its populace to market, trade, and benefit first from the efficient use of and profit from those natural real assets.

Only then, when this level of control is implemented, foreign investments can take place. This is wise. My suggestion for nations that practice economic paradigm is this: Allow your citizens to profit from their individual enterprises. Using a simplified tax base, tax your citizens in the most optimal manner. The tax revenue should be used to facilitate free housing, medical and health programs and expenses, and educational programs for all of your citizens. This will allow your governments to grow from domestic revenue as well as from foreign revenue.

Using a simplified tax base, the tax should be across the board--meaning individual and corporate income tax (for citizens only--not foreign companies) are taxed at the exact same rate. For example, if individual income tax is 15% of income, then corporate income tax should be 15% of revenue. I believe a flat tax at an optimal rate will be seen as fair.

Also, as your citizens' revenue grows, so will government revenue. If taxes need to be increased in order to fund public projects, this increase should be across the board as well. No capital gains tax should be implemented at any time. This would be considered "double taxation", and it does more to cut revenue over the long run than to increase revenue. The income tax rate should not be fallible neither. Too small a rate will generate less revenue than what is optimal, and too large a rate will generate less revenue due to non-growth entities.

Allow your citizens to profit and reinvest in each others' enterprises without taxing the gains made from those investments. This will allow your citizens to grow their enterprises and reinvest in those enterprises to produce more taxable revenue. The advantage of having a Socialist/Communist economic paradigm is that all resources belong to the state, or the citizens of the state. This means that the state is positioning itself for less debt.

Having a market economy under a Socialist/Communist economic paradigm will allow the nation's citizens to prosper and grow from their individual enterprises while they are guaranteed the basic needs of life: Shelter, medicine, and education. In turn, the citizens will provide the state with domestic economic growth, human resources that will facilitate the state's needs due to an advanced education system not based on wealth, and a revenue stream that increases as its citizens increase in wealth.

The purpose of these monetary and fiscal policies in Latin America is to stabilize and strengthen Latin American economies. As I presented before, the only way to properly stabilize the oil market is to stabilize and strengthen your nation's economies first. Then choose from amongst your economies which currency you will link to oil.

Thank You for reading these words.

Sincerely,

Deitric Muhammad  
Chief Economist of Muhammad's Global Enterprises, Limited Liability Company

Unfortunately, after sending this letter to OPEC three times via e-mail, and traditional mail,

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attempted phone calls to OPEC, and sending this letter to the Venezuelan consulate in the U.S., I have received no response.

This is the solution to OPEC's oil and economic crisis. This is the solution to Venezuela's current economic status domestically.

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