DOMESTIC MARKETS NEWSLETTER

Saratoga Meeting Plans Carter's First '100 Days' Of Fascism

Nov. 19 (NSIPS) — At a meeting of the hastily concocted Northeastern Governor's Coalition Nov. 14-15 in Saratoga Springs, N.Y., Jimmy Carter's top policy advisors laid out the Carter program for his first 100 days in office — a point for point blueprint of the political economy of Hitler's Reich. The highly select Saratoga audience of business, labor, and government officials received their marching orders from a Carter team led by Lazard Freres investment banker Felix Rohatyn, the man who designed New York City's Big MAC.

The specific fascist programs of the Carter Reich are presented in the rhetoric of autarky — economic self-sufficiency for the nation and each region. Like Hitler's Reich, the sole purpose is to bleed dry the population and the productive capacity of industry in order to keep up the payments on capitalist debt. In brief, the Carter proposals spell out the legislation and operations for mass slave-labor programs, hyperinflationary "development" boondoggles, (especially around energy), arms production, and a national system of labor regulation.

At the Saratoga conference Rohatyn's claim to be able to conjure close to $50 billion for coal-digging CCC camps and resettlement of inner-city welfare victims prompted New York AFL-CIO director Ray Corbett to call the banker a "genius." But the more appropriate title, awarded to Rohatyn by the New York Times after he set up New York City's Big MAC, is "financial wizard." This title has been vacant since Hitler's finance minister Hjalmar Schacht went on trial for war crimes at the end of World War II.

Rohatyn's "miracle money" is nothing other than Hjalmar Schacht's Mefo-Bills. These were the government guaranteed IOU's issued against Schacht's MEFO Institute, a dummy corporation for the German munitions industry. Not unlike Rohatyn's proposed Energy Development Corporation, Schacht's MEFO Institute was established to set the Nazi arms economy into motion with credit drawn, it seemed, out of thin air. Ultimately the Nazi regime paid for the miracle through death-camps adjacent to the arms factories.

Rohatyn wants three corporations for the Northeast region — apart from the Regional Energy Development Corporation (REDC), a fund for welfare settlement, and a fund to take over the debt of highways and railroads — with an initial kitty of $15 billion each. These "corporations," under a scheme now being circulated to the House and Senate Banking Committees, will issue short and medium-term notes with a Federal guarantee. These short-term bills will then pay for minimum-wage jobs digging coal, building highways, repairing roadbeds, and other forms of degraded slave labor.

Since the Federal government will stake its own credit to the repayment of these notes, they will be the first sold on the markets, according to Lazard financial analysts. Schacht issued 12 billion Reichmarks of such notes between 1934 and 1938, under an identical formula. Armaments producers paid their suppliers with Mefo-Bills issued by Schacht. These bills were then cashed with Schacht's dummy corporation. The cash that flowed out from the MEFO Institute to the arms manufacturers, in turn, derived from compulsory investment of the assets of the entire German financial system in Mefo-Bills.

Felix Rohatyn, admittedly, is in no position to lay down the law to commercial banks, savings banks, and life insurance companies, the main sources of private credit, that they must invest a fixed proportion of their assets in his REDC bills. His predecessor Schacht, with the authority of the Nazi regime, banned the issue of all other securities, compelled the banks to invest 30 per cent of their deposits in Mefo-Bills, set similar limits for the insurance companies, and so forth. But the first-shot volume of Regional Energy Development Corporation and similar paper that would hit the capital markets under Rohatyn's scheme would have a similar effect. Bearing a Federal government guarantee, Rohatyn's bills would wipe the bonds of private industry off the market. The projected issue of $45 billion in such bills — for the Northeast alone — is half-again as much as the $30 billion annual rate of private-sector borrowing on the bond markets during 1975 and 1976.

Short-Term Expedient

Saratoga miracle money would have the following effects on the nation's economy. First, on Felix Rohatyn's expense account alone, the Federal deficit would rise by a full 70 per cent, not taking into account the $17 billion in first-year Humphrey-Hawkins bill spending, and the extension of similar swindles to areas outside the Northeast. All capital investment in industry, already running $50 billion a year below replacement costs for old capacity, would stop immediately, since every last investment dollar would drain off to make-work projects. The rate of credit expansion would rise several times over, while the productive base of the economy would shrivel. Rohatyn and his friends at the Brookings Institution have no illusions about the inflationary explosion their schemes imply: they are calmly talking about financing this entire swindle **short-term!**

Who pays for all this?

Hjalmar Schacht and his fellow miracle-workers ultimately paid for the Mefo-Bills with the premeditated slaughter of 11 million human beings. But in the 1934-1938 period, Schacht sustained the massive credit expansion by destroying the consumption levels of German workers. The Nazi Trustees of Labor fixed 1933 wages at one-half their level of 1928, the year of the depression collapse of the German economy. From this half-pay, a further 10 to 15 per cent went to unemployment insurance deductions. Since Nazi rearmament and public works programs reduced nominal unemployment and compensation payments, the withheld insurance contributions were gravy for the MEFO Institute. On top of this, further deductions for Nazi swindles of the "peoples car" variety, the "Wintershilfe" charity fund, indirect taxes and so forth took an additional cut from workers' living standards. By 1938, per capita food consumption was significantly below the level of depression year 1929. Not only did the Nazis divert all available credit to the armaments sector, the government issued decrees forbidding capital investment in consumer-goods industries.

By 1938 the German working class was exhausted and bled white, and Hitler prepared to feed the cannabalistic Nazi economy with the loot of Europe.

Today, Humphrey-Hawkins bill author Leon Keyserling proposes to shovel the unemployed into a revived Nazi Labor Front, at minimum-wage jobs and pay reduced by galloping inflation, wage controls, or both. Federal Reserve Chairman Arthur Burns believes, and has been saying publicly for the last year, that slave-labor jobs could be cheaper than the cost of the Federal government unemployment compensation. Proposed Carter Secretary for HUD Roger Starr wants to ship "unproductive consumers" out of the cities to the slave-pits. The method is identical to the Nazis.

Excerpts From Saratoga Conference Proposals

Nov. 19 (NSIPS) — These excerpts are taken from the proposals and final recommendations presented at the Saratoga Conference of Northeast Governors this weekend.

To improve the region's transportation infrastructure, and thus its economic development, this centerpiece paper recommends that the Coalition...urge Congress to pass legislation to reimburse 90 per cent of the debt service on the outstanding bonds of all toll roads officially designated part of the Interstate Highway System.

On Energy Policy

The (oil) price increases of 1973 had a debilitating effect on the regional economy. The reason is that the OPEC price increases affected only the oil-using regions of the country and had only a limited impact on those areas utilizing coal or natural gas....

It is our recommendation that the Northeast Governors' Coalition work to establish a Regional Energy Development Corporation. The Corporation could be the vehicle in the Northeast for implementing our share of the $2 billion loan guarantee program and could in fact expand this program to include direct loans or additional loan guarantees. The advantage of a regional financing authority is that it would centralize the process. Presently, banks are very reluctant to become involved in the red tape of handling of thousands of "energy conservation loans." Furthermore, this authority could use its financial powers to leverage other programs such as coal gasification projects utilizing Eastern coal. A more detailed description of the Corporation is contained in a separate paper outlining the proposal....

The most important long-range supply issue for the Northeast region is to focus national energy policy on the vital revitalization of the Eastern coal industry. Coal has enjoyed something of a renaissance since the 1973-74 oil embargo, but this country's largest energy resource is still underutilized....Despite the magnitude of this resource, the United States — and particularly the Northeast — continues to put hundreds of millions of dollars into the coffers of the OPEC states: millions that could be used to revive the American coal markets....Coal produced in the East will have a much lower transportation cost for Eastern United States markets. The high unemployment rate among Appalachian miners indicates a ready supply of labor....

Alternative energy sources, such as solar and wind energy, are beginning to prove themselves technically and economically feasible in the Northeast. In a region lacking in indigenous energy resources, it is essential that promotion of these alternate energy resources be accelerated. The economic importance of alternate energy development to the Northeast stems from the fact that over $20 billion leaves this region annually to pay for our energy. Partial replacement of these expenses with a local alternate energy industry can do much to generate new jobs and economic well-being in the Northeast.

Studies indicate that solar energy use for heating and hot water is technically proven in the Northeast, and is presently more economical than electricity for these purposes, at least in some areas. In particular applications, it may be more economical than gas or oil....The Northeast coastline represents one of the windiest regions in the United States, and a place where windpower may prove feasible.

— "Energy in the Northeast: Critical Issues"

On Felix Rohatyn's REDC

The Regional Energy Development Corporation (REDC)...will not be authorized to "bail out" states, localities, or public agencies in fiscal distress by purchasing their obligations or by making loans to them. Nor would it be an instrumentality for "public power" in contrast to the region's long-established system of privately owned utilities — it is **not** a "TVA for the Northeast." Rather, the Regional Energy Development Corporation would:

...* Stimulate and finance projects with potential impact on production or conservation of energy, including, for example, new products for energy conservation; development of underused sources of power, including coal reserves and solar energy...

...* Stimulate and finance efforts to create, within the region, new industries related to the production and conservation of energy; e.g., assisting in the creation of an industry for the recovery and utilization of materials from solid waste.

* Stimulate and finance projects which support the economic development goals of the region in terms of energy efficiency, land use, available manpower, urban development — e.g., industrial park development near urban centers....

The (REDC) compact will provide for public participation within specific limits through sale of capital subscriptions — either interest-bearing or not — to financial institutions, corporations, labor organizations, and individuals.