

## ENCONO Bill Splits, Balkanizes U.S.

*The following are excerpts from Felix Rohatyn's draft for a "Regional Energy Development Act of 1977," which was released June 27, 1977:*

### *Congressional Findings and Declaration of Purposes*

Sec. 2. (a) The Congress hereby determines that:

(i) energy shortages and the high cost of energy have created economic dislocations and hardships, including loss of jobs, closing of factories and businesses and general economic stagnation or deterioration in the nation and certain regions thereof;

(ii) such hardships and dislocations constitute a threat to the general welfare and can be dealt with efficiently and effectively through an approach in which such regions cooperate with the United States;

(iii) it is in the interest of the nation and such regions to provide the means for such cooperation to facilitate increased energy supply and to encourage energy conservation within their regions through an entity capable of financing and otherwise promoting such goals;

(iv) fulfillment of such goals requires large initial investments of capital and prolonged periods before such investments can be returned, and entities capable of financing and otherwise promoting such goals, are, as a consequence, likely to encounter difficulties in obtaining adequate financing at reasonable costs;

(v) financial assistance, including guarantees by the United States of the obligations of such entities, is necessary to encourage the formation of such entities.

(vi) energy shortages and the high cost of energy have created particular economic dislocations and hardships in the Northeastern States, which would especially benefit from regional cooperation with the United States through an entity capable of financing and otherwise promoting increased energy supply and energy conservation.

(b) The purposes of the Act shall be:

(i) to create the Corporation to evaluate, on a regional basis, the factors affecting the production, distribution, storage and conservation of energy in the Northeastern States, and the impact of public policies thereon;

(ii) to create the Corporation to stimulate and finance Projects and Programs (each as defined in Section 3 of

the Act) related to the production, distribution, storage and conservation of energy;

(iii) to create the Corporation to stimulate and finance efforts to create, within the Northeastern States, new industries and technologies related to the production, distribution, storage and conservation of energy;

(iv) to guarantee the obligations of the Corporation and otherwise to give financial assistance to the Corporation in order to promote increased energy production, distribution, storage and conservation capabilities; and

(v) to promote long-term cooperation among the Northeastern States on their shared problems of energy development and conservation, and to encourage other States of the United States to cooperate, on a regional basis, on shared problems of production, distribution, storage and conservation of energy.

To this end, a corporation shall be created pursuant to the Act, and such corporation shall be known as the "Energy Corporation of the Northeast."

Sec. 3 (Definitions) ...

"Project" means a specific activity undertaken or financed by the Corporation to carry out any one or more of the Corporation's purposes and that is designed or expected to produce revenues; provided, however, that an activity that is expected to be devoted principally to research, development or experimentation shall not be considered a Project for the purposes of the Act as long as such activity remains principally so devoted. For example, Projects may include, but shall not be limited to, activities intended to stimulate or finance (i) the increased development of coal and petroleum for energy and coal gasification, (ii) the development of an efficient transportation and delivery system to move coal from mine to consumer, (iii) the development and production of new energy conservation and storage products, facilities or technologies, (iv) the development of on-shore facilities and distribution systems for off-shore oil and gas reserves, (v) the renovation and rehabilitation of existing power plants and hydroelectric facilities and (vi) the development of new power plants. These examples shall not be construed to limit the rights of the Board pursuant to section 15(e) of the Act.

## ENCONO Is 'Missing Link In Carter Energy Program'

*The following are excerpts from "Role of the Energy Corporation of the Northeast in Implementing the National Energy Plan," a document released by Felix Rohatyn's CONEG in July 1977:*

### *The National Energy Program — A Missing Link*

...The President has proposed a far-ranging National Energy Program to meet the new era of energy scarcity and begin a transition to a post-petroleum based economy, relying more heavily upon coal and alternate energy sources....

While comprehensive in scope, the National Energy Program appears to have a "missing link" critical to program implementation. A regional energy corporation, such as ENCONO, can supply the missing element by serving as a:

\* mechanism for forging a public-private partnership on a regional basis.

\* mechanism for marshalling regional resources, talent and support in a timely manner.

\* means for effectively addressing unique regional needs on an ongoing basis.

While critics of the national energy program acknowledge the program's success in moving national debate from discussion of the need for to the specifics of a national energy policy, these critics question whether the program provides sufficient financial incentives on the supply side for increased production, resource shifting — conversion to coal and other alternate sources, and alternate resource development.

Should Congress decide further financial incentives are appropriate, a regional energy corporation, such as ENCONO, would provide a unique means for targeting such financial resources to specific projects....

The corporation would serve as a model for similar regional instrumentalities to meet the special needs of other regions of the country. The corporation would be empowered to engage in projects funded, in part, by other sources (private investments, federal, state and public authority funds, etc.). The corporation would participate in joint projects with other similar regional corporations and could serve in the capacity of a regional subsidiary on projects sponsored jointly by any national development corporation which might be created....

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## Rohatyn: 'Rockefeller's Plan Is Inept'

*Felix Rohatyn, chairman of New York City's Municipal Assistance Corporation ("Big MAC") was interviewed this week.*

**Q:** What do you think of Nelson Rockefeller's proposal to create a Energy Development Corporation?

**A:** We do need some special, federally-based financial institution for high-risk projects like oil shale and coal gasification, but I am suspicious of the idea of setting up a federal bureaucracy. Rockefeller's plan is inept for that reason. Four or five years ago I thought the solution was a Reconstruction Finance Corporation like what Rockefeller suggests. Then I was a dreamer. About two year ago I became more cautious, realizing that this country is heading toward the development of regional institutions. The idea of a national corporation like the RFC would be a step backwards. I also don't see the country in its present mood simply voting up \$100 billion. I would rather see four or five regional corporations with \$5-10 billion each.

**Q:** What is the current status of ENCONO?

**A:** The support is growing rapidly on a daily basis. It will be introduced in Congress by Sen. Jackson next week.

**Q:** What are its chances of passage?

**A:** I think very good because we are only asking Congress for the authority to develop a chartered corporation and the authority to get federally guaranteed loans. Since the revenue comes from the states and

private investments, we are not asking for any federal funds.

**Q:** What type of support do you have within the Administration?

**A:** I think the Administration is quite sympathetic. Carter met with me a while ago. Mondale likes it. White House aide Eisenstadt is a key supporter. You probably know that a delegation of Northeast governors — led by Gov. Carey and Gov. Grasso met with Blumenthal, O'Leary and Watson on Tuesday. They found it an interesting idea and are seriously considering it. I've met with Schlesinger two or three times and he seems to like it but I'm not sure if he would prefer the national corporation idea. I'm a great admirer of Schlesinger and his illuminous mind. The development of a Department of Energy was a great idea.

**Q:** What about Bert Lance? I hear that he's been against these ideas.

**A:** I don't know about Lance.

**Q:** What kind of local and regional support do you have?

**A:** Well, you know we have all seven Northeast governors behind it. The trade unions, like AFSCME, also support it. One thing you should consider is its ability to sway local politicians in a positive direction. If you have a big investment project dangling over their head, politicians will be much more willing to do what you want. You can tell them if you don't like their actions, their territory may not get the investment.

**Q:** What about the rest of the banking community? Does Chase Manhattan, for example, support the regional bank?

**A:** I had a meeting with David Rockefeller, Citibank's Wriston and Pat Patterson a few months ago. They had no objections and will support it.

**Q:** From what you have said the investments for ENCONO will come largely from state revenues and private investments. What about OPEC's role?

**A:** I would like to see OPEC control about 20 percent of the equity capital, sit on the Board of Directors, share in the risks as well as in the profits.

**Q:** How would the full employment goals of ENCONO be reached? Do you support the Humphrey-Hawkins bill? Urban banks?

**A:** I see ENCONO as a stimulative in lieu of public works programs. I don't like Humphrey-Hawkins at all. I realize that as a transition we will need some public jobs, but if we have to expand the jobs, let's expand the existing programs like CETA. I'd rather not see Urban Banks developed because I would hate to see a proliferation of bureaucracies. If they come to be, they could be incorporated into ENCONO but I would hate to see it. The important thing is to develop jobs through the private sector. Only private sector jobs will remove the hopelessness of the population and restore dignity.

## Rohatyn Plan Needs OPEC Funds

*A feature by Felix Rohatyn titled "A Self-Help Program for the Northeast," excerpted below, appeared in the Long Island Newsday April 25, 1977.*

...It is not in the national interest to have a region as large as the Northeast becoming an underdeveloped country, to have 40 million people becoming an economic drain rather than a source of growth and increased revenues....

Just as post-war Europe organized the *Coal and Steel Community* to estimate its resources, plan their use and implement a development program, so now the Northeast needs to assess its resources and formulate a plan to guide its economic recovery. A detailed survey of the region's resources should lead to a development plan, laying out energy and transportation alternatives and aimed, inter alia, at establishing energy cost parity with other regions....

Examples of possible projects are many. The corporation should play a role in stimulating increased development of Appalachian coal...

If successful, it would produce jobs and thereby reduce welfare and unemployment costs, a burden to the entire country. By reducing Northeastern energy costs, it would reduce the levels of imports and the balance of payments outflow that plagues the United States. It could be a conduit for the recycling of OPEC funds presently looking for investments. It might be a partial answer to the intractable long-term unemployment problems in northeastern cities.

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## Rohatyn: "Indeed The 'Moral Equivalent' Of War"

*Felix Rohatyn's editorial page feature, excerpted below, appeared in the New York Times, Aug. 21, 1977.*

Two crises of significant dimensions are currently facing this country.

One, the energy crisis, threatens our economic structure and the stability of our currency. The second, the urban crisis, threatens our social and political structure by creating a permanent, volatile underclass...

A Federal Urban Development Bank with the authority to make loans directly or to guarantee certain types of municipal obligations is needed. Naturally, such loans should only be made in conjunction with the recipient municipalities taking appropriate steps to reform themselves by budgetary disciplines and by such legislative actions as may be required...

We have seen, over the years, that Federal programs

aimed at eliminating poverty do not work. We have also seen that standard economic stimuli do not seem to get at these apparently intractable problems on a long-term basis. Education, vocational training and *private* employment have to be combined with physical reconstruction of the core cities. This could be done as part of an accelerated, Federally-guided energy program, marrying Federal financing to private employment....

In the Northeast, we have been arguing for a Regional Energy Development Corporation, with Federally guaranteed bonds, to accelerate conversion from imported oil to domestic coal. The activities of such a corporation, either regionally or nationally, could dovetail with an urban program...

Manufacturing facilities financed by the Development Corporation but operated by private corporations should be set up in industrial parks created for the purpose in cleared, now vacant ghetto areas. The private companies operating those facilities would get economic incentives (tax credits, priorities in Government contracts, etc.) to train and employ people from the surrounding communities. The labor unions would have to agree to less restrictive hiring practices and, possibly, at the training stage, to less-than-minimum wage scales. The Development Corporation would have the power to negotiate case-by-case package deals to get the maximum social impact with differing conditions.

In the long run, only private employment generated by such planned economic methods, combined with Federally assisted housing reconstruction, can bring the core-city population into society's mainstream.

For some considerable time, I have believed in the need to create a 1970's version of the Reconstruction Finance Corporation of the 1930's to stimulate and target not only the domestic energy program but urban revitalization as well. Such an organization could combine the functions of the Urban Development Bank with those of the Regional Energy Development Corporation on a national scale. It would, in effect, be a National Development Bank (or a series of Regional Development Banks), coordinating both an urban revitalization policy and a greatly accelerated domestic energy program.

The oil-producing countries should be the main source of financing for such a Development Bank by purchasing its long-term, Federally guaranteed bonds, thus recycling part of their large petrodollar surplus that is currently unsettling the monetary system.

Hence the opportunity of targeting at least part of the private employment and economic stimulus coming out of such an energy program to those urban centers needing it most and financing the program with moneys from the Organization of Petroleum Exporting Countries through a National Development Bank.

The Government alone cannot solve these problems since its management of programs is mostly inept. The private sector alone cannot do it since the financing requirements and the risks are beyond its means. A partnership between Government finance and private-sector management might work. We have little to lose by trying...

## Rohatyn: 'I Am A Financial Surgeon'

*The following are excerpts of a June 3 speech of Felix Rohatyn to the Toledo Area Governmental Research Association in Toledo, Ohio.*

I am delighted to be here, I am flattered, I am slightly melancholy at the reason for it. I'm pleased obviously because I am delighted at the opportunity to speak to you; and I am a little bit depressed because you're an urban organization, and I'm really not an urban expert. I am a financial surgeon and what I am trying to do is to put the pieces back together without leaving too many scars and without spilling too much blood and I think it is probably symptomatic of the tenor of the times and of the urban problems of the day that somebody of my discipline is here speaking to you as opposed to somebody who

is truly an urban expert.

I became involved in the affairs of the City of New York because I live there, because I like big cities. That isn't a feeling that is shared nationally....

...the idea that *efficiency* is the antithesis of *humanism* has now been exposed for the total cop out that it is. When there is no money for the luxury of feather bedding, of amateurism, and of political cronyism, then efficiency is the only weapon available to produce those savings required to permit the maintenance of vital services....

...To recover in New York we have to have long-term policies at the level of the city, the state, the region and the Federal Government. The city of New York is probably no longer a viable economic unit. It was never an appropriate instrument for income redistribution. The retention and the creation of private jobs has to be the primary goal of a development policy by the city and the state....

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## Rostow: 'Weave Private—Public Enterprise Together'

*University of Texas Professor W. W. Rostow's editorial feature, "A Fusion Solution," appeared in the New York Times on Sept. 13. Excerpts are reprinted below.*

Since their meeting last November, the Northeastern governors have been pressing forward the concept of a Northeast Regional Energy and Development Corporation. It may be useful to put that concept into a national perspective.

On Aug. 8, the Midwestern Governors Conference passed a resolution supporting such public-private investment institutions for all the regions.

The governors all suggested extending the scope of such regional banks beyond energy-related investment to "modernization of the transportation system, water resource development, land rehabilitation, rural development, and other tasks."...

The acceleration of energy-related investment requires intimate public and private collaboration, which the regional banks could foster.

Second, with the slowdown of the national economy, it is increasingly apparent that we shall not achieve full employment by the conventional devices of fiscal and monetary policy operating alone.

Full employment in the 1970's and 1980's will have to be triggered and sustained by the enlarged investment required to solve the resource problems that have moved in recent years to the center of the stage — that is, investment in the directions listed by the Midwestern governors, to which I would add the control of air and water pollution and enlarged outlays for research and development.

It is an important fact that practical men and working

politicians are making a connection that has not yet penetrated the redoubts of academic or bureaucratic economists — namely, the solution to our resource problems is also the solution to our problem of excessive unemployment and slow growth.

Third, sustained full employment and rapid growth is the only context within which we are likely to make a dent in the hard-core problem of central-city unemployment and render viable the kind of reforms in the national welfare system that President Carter has proposed....

If we get the hang of how to weave public-private enterprise together by regional banks and other devices, we shall not only enjoy full employment but also have to face up squarely to the problem of inflation. The current steady, corrosive rise in unit labor costs is likely to accelerate if we move to full employment.

Business, labor and government would, therefore, have to come together to design an equitable system that would accommodate wage increases to the average increase in the nation's productivity in ways that do not bring about an excessive shift to profits.

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## Rostow: Need Both Rocky And Rohatyn Plans

*Walt Whitman Rostow, currently Professor of Economics and History, University of Texas at Austin, has spent the last few months mobilizing support for both Nelson Rockefeller's Energy Development Corporation and Felix Rohatyn's Energy Corporation of the Northeast. Rostow, who served as President Kennedy's Vietnam War planner and President Johnson's National Security Adviser, has particularly concentrated on organizing Southern and Southwestern conservative*

governors to support the energy corporation concept. Over the past month, he has given keynote addresses at the Midwestern and Southern Governors' Conferences and the Northwestern Lieutenant Governors' Conference.

The following are excerpts of a recent interview made available to EIR this week.

Q: What do you think of Nelson Rockefeller's proposal to form an Energy Development Corporation?

A: I think highly of Nelson Rockefeller. I testified at his Project Independence Commission and fully support his Energy Independence program.

Q: Then you see no conflict between Rockefeller's plan

for EDC and Felix Rohatyn's proposal for a regional corporation?

A: No. They are both necessary. A national corporation, like Rockefeller's is necessary if we are to develop large high-risk projects like oil shale and coal gasification. It is the only way to commercialize these high-risk resources. But regional banks can do the job in areas — like the Northeast or Midwest — with large financial centers and conventional energy resources to develop. Even in the Rocky Mountain states—where the oil shale is—you would want a regional corporation to develop infrastructure, like transportation systems, and other projects like water projects. The important thing is that you need both.

## Schlesinger Has Carte Blanche To Run Energy Dictatorship

*The Department of Energy Organization Act of 1977 which was rammed through Congress earlier this summer, gives energy czar James Schlesinger a carte blanche to wage energy warfare on the U.S. population.*

*As the sections of the bill excerpted below indicate, Schlesinger has been given dictatorial power over the nation's energy supplies unchecked by Congress. When the act takes effect October 1, Schlesinger will command an army of more than 20,000 plus a regional administration of thousands more, and have the power to raise a volunteer army and even to press into service on his behalf and under his orders, the U.S. Army. In general his powers will be anything he deems fit that is not expressly barred him by law. "You could say that we have been told to go out and do a job and they are going to let us do anything that we want for a while to see what can get done," one Schlesinger aide said yesterday. "Read the act yourself and you will see that we can do almost anything we want."*

*Schlesinger's aides have already "taken up their mission to protect the nation's energy supplies" and drawn up "the most extensive energy emergency plan in history," in the words of one aide, the so-called Project WEEP—the Winter Energy Emergency Plan. "We will not wait flatfooted for an emergency to strike like last year," the aide said. "We will begin to take command and shut down the country's industry before the situation gets out of hand... we are expecting a long cold winter."*

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### Excerpts from the Department of Energy Organization Act of 1977

...Sec. 101. The purposes of this Act are (1) to establish a permanent Department of Energy in the executive branch, (2) to vest in the Secretary of Energy such functions as are vested in or transferred to him by this Act, (3) to achieve, through the Department, effective management, and (4) to provide the mechanism through

which a coordinated National energy policy can be formulated and implemented to deal with the short-, mid-, and long-term energy problems of the nation....

...Sec. 205. There shall be within the Department an Economic Regulatory Administration to be headed by an Administrator, who shall be appointed by the President by and with the advice and consent of the Senate.

(b) The Secretary shall utilize the Economic Regulatory Administration to administer... such other functions as the Secretary may consider appropriate...

Sec. 501 (d) ...The Secretary or any officer authorized to issue rules, regulations, or orders under the Emergency Petroleum Allocation Act of 1973, the Energy Supply and Environmental Coordination Act of 1974, or the Energy Policy and Conservation Act shall provide for the making of such adjustments, consistent with other purposes of the relevant Act, as may be necessary to prevent special hardship, inequity, or unfair distribution of burdens and shall, by rule, establish procedures which are available to any person for the purpose of seeking an interpretation, modification, rescission of, exception to, or exemption from, such rule, regulation or order...

Sec. 603. The Secretary is authorized to prescribe such policies, standards, criteria, procedures, rules, and regulations as he may deem to be necessary or appropriate to carry out functions now or hereafter vested in him.

Sec. 604. (a) *Except as otherwise expressly prohibited by law*, the Secretary may delegate any of his functions to such officers and employees of the Department as he may designate, and may authorize such successive redelegations of such functions as he may deem to be necessary or appropriate.

(b) *Except as otherwise expressly prohibited by law*, the Secretary may, with the consent of the head of the department or agency concerned, delegate any function vested in him to the head of such other department or agency, and may authorize such successive redelegation thereof as he may deem to be necessary or appropriate....