report doesn't say "move people out, down South." It says, just don't keep them anywhere artificially with government encouragement. We have to stop these government incentives to stay in unviable places. We must not do anything to stop unemployment in these industries. Just stop the cost of living allowances, stop the OSHA rules, stop the unemployment costs, stop Davis-Bacon, stop the minimum wage. Experiment. See if by removing barriers, you get people out of those industries and areas and into new areas. People will have to move. This is how to deal with the population problem among the economically unviable. Cities will be greatly scaled back, there will be fewer people.

Q: What is the role of the institutional investors, banks and insurance companies?
A: We will play our traditional role. We will finance the property development. We'll make the real estate loans, just as we used to do in the suburbs. Take that Wang factory. They've bought a rundown inner-city building which must be completely rehabilitated. We helped put together a consortium of local community real-estate developers, and we gave the consortium a first-construction mortgage on the building, backed by the Massachusetts [State] Land Bank, and by the federal Economic Development Administration [Commerce]. Wang will lease the building from the consortium, and we'll have the mortgage, and since the project will be economically viable, we'll be able to buy their industrial revenue bonds, too. Then it becomes a viable commercial property.

Q: Will this help raise real-estate values in the area?
A: That's the idea. It will encourage real-estate values to rise. Then we can get the present tenants to move out, and business will come in, restaurants will start up. New England Medical Center has plans to build there, Tufts Medical Center may build. Values in the area will rise.

Q: How do the AFL-CIO and other unions react?
A: Publicly, of course, they are very much against it.

Q: Don't they know they need these jobs?
A: Yes, they know very well they do, and I've met with these union leaders in Washington and they understand it, and they are behind the concept, privately. But it's a very sensitive issue.

Q: You've met with Lane Kirkland on this?
A: Well, I can't be specific as to names. But I've met, as I say, with union leaders. Especially those in New York, they understand the situation well.

Q: You're referring to Victor Gotbaum of AFSCME?
A: Well, as I said, I can't give specific names.

Institutional investors force industrial shift

by Kathy Burdman

"Prudential, Equitable, and other insurance companies seek to redirect the major capital flows in the economy, and change the whole organization of production over the next decade," Stanley Karson, director of the Clearinghouse on Corporate Social Responsibility, told a journalist. The Clearinghouse is the "political arm" of the American Council on Life Insurance. The chief executives of the insurance industry who make up the Clearinghouse board believe that "dying industries like auto and steel" are no longer a "good investment" for the large institutional investor, Karson stated.

"The major institutional investors, led by insurance, are engaged in a tremendous reallocation of resources away from the smokestack industries," George Needham of the First Boston Corporation corporate finance group told *EIR*. "The U.S. no longer has a competitive advantage in steel, paying $20 an hour for labor. The 25-year steel and auto bonds bought by an insurance company ten years ago for 6 percent interest today are worth 60 cents on the dollar. "Where future money will be made, where tremendous profits are growing, is in the computer, microchip, electronic, and related service industries," Needham said.

The institutional investors have a "short- and long-term strategy" of moving some $150 billion in financial assets out of "smokestack" industry bonds and stocks and into the new industries, Mr. Karson stated.

"If you polled our board members," such as Robert Bates, Prudential chairman, Kenneth Austin, Equitable chairman, and John Filer, Aetna chairman, "you will find them in near unanimous agreement on moving America into the 'postindustrial society,'" Karson said.

Manufacturing is out

This is the context for the mass reorganizations of the "information-age" companies, led by the mysterious shakeup this week at RCA. RCA Chairman Edgar Griffiths, after having dramatically improved the company's profit picture since taking over in 1979, was summarily dumped by three RCA directors, Donald Smiley, ex-chief of R. H. Macy; Peter Peterson, chairman of Lehman Kuhn, Loeb; and John R. Petty, chairman of Marine Midland, on the excuse that he was "too abrasive."

Mr. Griffiths was replaced by Arco President Thornton Bradshaw, a leader of the Aspen Institute, which helped to invent the "postindustrial" concept, to "shift RCA out of manufacturing and into the information age," as John Groome of the U.S. Trust Investment Committee, told *EIR*.

Macy's, Lehman, and Marine "are all committed to this concept," he said. "RCA has to stop worrying about manufacturing home appliances, the market for which is shrinking like the auto market as we enter the age of scarcity. RCA has to get back to being a technology company, concentrating on areas like its new video-disk investment, electronics, computers, and its new financial arm, CIT Financial," an insurance and investment company. The fact is that Mr. Griffith "is a line manager, a production man, who doesn't understand where RCA has to go," Groome said.

"[Thornton] Bradshaw understands RCA'S new *social* role," a Wall Street source said. Bradshaw is a specialist in "corporate social responsibility," the title of a new book Bradshaw edited that was just published by McGraw Hill. At the Aspen Institute, Bradshaw and his mentor, Arco Chairman Robert O. Anderson, who also heads Aspen, have worked out ways to use the power of large corporations "in a socially responsible way," the souce explained, to shift the economy away from heavy industry, which "ruins the environment and wastes resources," and into the "leisure society" of postindustrial electronics and other light industry.

Similar shakeups are going on for the same reasons at 20th-Century Fox and throughout the TV-movie industry, in which RCA—which owns NBC-TV—is a leader, the sources said. A major group of Fox investors lead by E. M. Warburg, Pincus, & Co., the New York investment-bank subsidiary of Hamburg's M. M. Warburg bank, is seeking to have Fox returned to private ownership, in order to gain control over and reorganize the company's core TV-station and film-production assets, sources say.

Behind the go-private plan are Fox Chairman Dennis Stanfill; Fox Vice-Chairman Alan Hirschfield, the former president of CBS's Columbia Pictures (originally founded by RCA); John L. Volgelstein, the E. M. Warburg partner who sits on the Fox board of directors; and F. Warren Hellman, the managing director of Lehman Brothers Kuhn, Loeb, who is part of the Warburg investors group.

Similar shakeups, the Wall Street sources said, are going on now at the Burroughs computer giant, and throughout the computer industry. Burroughs chairman, ex-Treasury Secretary J. Michael Blumenthal, is a prominent supporter of the "postindustrial" concept, and worked to shift the U.S. economy in that direction in Washington.

This week, Blumenthal brought in four new senior officers to totally restructure management, led by Thomas E. Winter, former corporate comptroller of Xerox Corporation, who was named executive vice-president for administration. Paul G. Stern, president of commercial electronics at Rockwell International, was named the new Burroughs executive vice-president for engineering. Both appointments begin in March.

Former Vice-President Walter Mondale, who has worked closely with Blumenthal, meanwhile this week joined the board of directors of Control Data Corporation, the Minneapolis computer giant.

'New conglomerations'

Large institutional investors like U.S. Trust, Bankers Trust, and the insurance companies plan, by shifting their financial assets, to help RCA, Burroughs, and others to "accelerate the industrial shift to the new types of technology," U.S. Trust's John Groome stated. "We'll be shifting our investments into these companies. Eventually, what will emerge will be huge new conglomerations of computer, electronics, and other high-technology companies," he said. A core of technetronic multinationals will come to dominate the field, led by RCA, Xerox, Burroughs, IBM, and AT&T, which is going increasingly into computer production and sales.

U.S. industrial plant will be bought up by the new industry. "There is a lot of physical plant and equipment in the U.S. now being wasted in these older industries," Groome said, "which can be taken over by the new. We are helping to accelerate this process. We have already begun to shift our bond and stock investments altogether out of the older industries. . . .

"Through this shift, U.S. Steel, for example, has been forced to close many of their plants. They will now have to close many more, because there will be no large investors to buy their bonds. Chrysler will be broken up, its pieces sold off."

The institutional investors will also use their existent equity positions in older industrial companies to force these companies to "diversify into more profitable high-technology areas," and out of heavy industry, Stan Karson of the Life Insurance Clearinghouse noted. "You can't keep steel and auto going indefinitely," he said, "There must be a drastic retrenchment."

The latest issue of the Prudential Corporation's company magazine notes in its cover story that it was the "Pru" which orchestrated the latest arrangments of government guarantees for the ailing Chrysler Corporation. Prudential, one of the Chrysler's largest shareholders, is using its clout to force Chrysler to shut "unprofitable" plants, retool others, and permanently lay off much of its workforce.