way, the reaction of some has been to snap at the first "business opportunity" to come their way. The tendency for businessmen to act against their long-range interests is nowhere as evident as in the accomodation of certain sectors of industry to Carter's energy program.

Some weeks ago the president of Babock and Wilcox, the only U.S. company to receive any orders for nuclear reactors last year, told his stockholders that the company could live just as well with coal-fired utilities as nuclear energy, and noted that the company stood to benefit from the program's coal-conversion provisions.

Months of scapegoating by Nader-connected "consumer" spokesmen of natural gas producers for withholding natural gas from the market last winter appears to have produced the desired result. Last week the American Gas Association took out newspaper advertisements to announce its sudden conversion — its new support for coal gasification.

At the midyear meeting of the American Petroleum Institute in Chicago last week, V.J. Kavlick of the Fluor Corporation, one of the nation's largest engineering and construction contractors, predicted that coal liquefication can be underway by 1986 or 1987 if government aid is available to make the expensive process commercially viable. At the same meeting E.E. Kintner, director of the nuclear fusion division of ERDA, told the API members, "The need for an inexhaustible, nonfossil, base energy source is clear... Fusion could be considered the enduring solution to energy problems."

Another spokesman for Fluor told NSIPS last week that the present credit system is unsalvageable...but then called for a "forty to fifty year depression" to realign monetary and real values. In the same breath he recommended that the U.S. develop — the "synthetic fuels used by the Germans in World War II to run their war machine" — coal liquefication and gasification.

Carter, The Fiscal Conservative

The Carter Administration likewise appears to have U.S. businessmen duped on the monetary questions. As a result of Carter's timely decision to throw out his tax rebate program earlier this spring and Federal Reserve Chairman Burns's recent unimpeded moves to tighten interest rates, even some of the staunchest Republicans on Wall Street are enamored of the Administration's "fiscal conservative" pose. Burns and Administration economic officials have simply had to take up the anti-inflation banner in the face of resurgent U.S. inflation and the flat refusal of the West Germans and Japanese to hype their economies in tandem with the U.S. Burns' moves against inflation, however, will only hasten the demise of current "recovery" and aggravate the outburst of heteronomic impulses.

City Hall 'No Longer A Factor' In New York

SPECIAL REPORT

"The Democratic Party and City Hall are no longer a big factor and certainly won't be after the elections," commented a senior official of the Citizens Budget Commission last week. "What will happen to the next mayor shouldn't happen to a dog."

This sums up the New York City mayoralty campaign from the standpoint of a commercial banker. The banks have seen to it that no fewer than a dozen "major" candidates are all now vying for the right to preside over a crumbling Rockefeller-ruled city.

Roughly two years after the allied Rockefeller and New York Rothschild financier interests first saddled the city with their Municipal Assistance Corporation or "Big MAC," New York is in the worst financial shape ever. That not-accidental outcome of "Big MAC's" progressive, calculated erosion of the city's economic base — in terms of services, labor and business activity sacrificed to short-term debt refinancing — was the subject of a recent federal report on the city's finances, which concluded with a carefully-worded admission that New York City is perhaps ten years away from "turning the corner" financially. That half-truth — the city will go under in a financier's Schachtian holocaust of physical collapse, crime and pandemic disease much sooner — reflects a lawful accumulation of new debt roll-over imperatives for Lower Manhattan. This in turn requires a redoubled looting of the city at its base, the "public sector," something that Abe Beame and his Democrats "won't do," explained one source.

So last week Governor Hugh Carey announced that he would back his own candidate, Secretary of State Mario Cuomo, even if Cuomo failed to win the Democratic nomination. In this eventuality, Republican Roy Goodman, a Rockefeller liberal, would have his chances improved. If this scenario doesn't develop, however, the dogfights and dirt thrown around among the many Democratic contenders in the campaign could rupture the party and render impotent whoever occupies Gracie Mansion next year.

Amid the confusion, Wall Street has sponsored a daily barrage of attacks against key city service institutions, with the education and hospital systems particularly targetted. Because the relatively independent Board of Education has been resisting further cutbacks, Mayor Beame recently proposed its abolition, to be totally restructured and replaced by mayoral appointees. This is occurring according to a Russell Sage scenario, Beame exposing himself to charges of "bossism" on the eve of the elections. Within days after Beame's proposal announcement, Comptroller Harrison Goldin initiated an audit of the education system to investigate "waste," as State Senator Eckert moved in to destroy "expensive" faculty tenure. Four days later the *New York Post* ran banner headlines proclaiming, "$ Millions Lost in School Waste — State Rips Loafing On Repairs."

The hospital situation is even worse. City Budget Director Donald Krummerfeld was placed directly in charge of the formerly independent Health and Hospitals Corporation and immediately enacted a three-month timetable designed to eliminate administrative personnel opposed to further cutbacks. Krummerfeld is putting into place a medicaid and general cost monitoring system to "reduce waste," as well as an "inspector-general unit," which will serve as an in-house policing arm. Concomitantly, the press is filled daily with cries of unreported malpractice, and the state is moving to pass legislation that would drive hundreds of doctors out of the hospitals. As mayoral hopeful Joel Harnett, head of Wall Street's City Club, points out, "A health czar is needed to knock everybody's heads together, and you can quote me on that."

All of this would be impossible without the complicity of the city's unions. "You know who the number one banker of New York City is: Victor Gotbaum," gloated a Rockefeller source. "Gotbaum is one of the guys." He isn't kidding — Gotbaum can account billions in city pension funds as never-to-be-repaid credit to the city. Gotbaum, the recognized leader of the Municipal Labor Committee (MLC) and head of District Council 37 which controls most of the city hospital unions, proudly boasts that he now has labor-management productivity committees "in every city department and every hospital." Last weekend, Gotbaum led city union leaders through a two-day "educational session" dominated by Deputy Mayor John Zucotti, a Rand Corporation operative, and Felix Rohatyn, chairman of Big MAC, in which the necessity of pulling together to pay the debt was drummed in repeatedly. As the productivity coordinator of the MLC crowd, Gotbaum is restructuring the labor-management scene."

'What Will Happen To The Next Mayor Shouldn't Happen To A Dog'

The following interview with a senior official of the Citizens Budget Commission was recently made available to NSIPS:

Q: What do you think of the New York City mayoral race and what do you see as the primary tasks of the next mayor?

A: The primary job of the next mayor will be to convince everyone that there is equality in sacrifice, and that he has no desire to justify what has happened in the past. You got to watch Goodman, Cuomo, and Koch. All of them are reliable. Cuomo is the great compromiser and Carey's man, so he looks good, but Goodman could well take it in a Democratic Party split. Koch is steady and will do what he has to do. Bella Abzug is just a big mouth, she'll make a lot of noise but won't go anywhere.

Q: What about Mayor Beame?

A: The thing you got to understand is that Abe Beame ain't gonna be elected, and he probably won't even be nominated by the Democrats. The problem with Abe is that he can't see that far ahead. He can see only two to three years into the future, but he can't understand that there's got to be 10 to 20 years — at least — of rigid financial control over New York. Abe just don't want to face that. Abe thinks we're out of the woods — but this is the biggest goddam woods you ever saw!

Look, I like Abe, he's a nice guy, but let's face it, he's an old man. If Abe were smart, he should say, I've done all anyone could, I leave the city on an even keel — I even balanced the budget — though he really hasn't, but he can say this — and he should step down. He should take a slow boat to Florida. The problem is Abe's been climbing up a greasy pole for 25 years, and now he's on the top but he's losing his grip. It's a long way down that pole and on the bottom is a big pile of shit. That's what's gonna happen to Abe Beame if he runs, he's gonna land in the shit, he's already half in it. No one wants to get hit with all the shit like he's been hit. But when the *real* shit hits the fan, Mayor Beame is gone. What will happen to the next mayor shouldn't happen to a dog.

Q: What do you mean by that?

A: Look what our honorable next mayor is going to face. You think we got a balanced budget? Baloney? You got $700 million in the capital expenditures part of the budget which is pure and simple operating expenses. That means Abe's got to hire a lot of people this year, but next year the mayor's got to dump them all. Think that'll be easy? On top of this, you can expect at least a $400 million per year rate of *increase* in the deficit — at least — and that assumes no wage increases beyond a very low level — and that means you come up against the unions. In the short term, you are running up against a necessary $600-700 million shortfall each year in debt service payments, and that money has got to be paid, and it can only come from one source: the public sector. Our number one priority is to guarantee the viability of our private sector and business which means creaming off the public sector through a state takeover. In New York City, we haven't faced up to how much we must cut the public sector, and Abe Beame won't do that.

Q: Isn't this actually what the monitoring and control system proposed by the banks last February is designed to do? Do you see this monitoring mechanism, which the Russell Sage Foundation and David Grossman of the Nova Institute are working on, as essentially running the city in time? It's already being set up to monitor medicaid, the hospitals, and city finances.

A: Ah, precisely, that's it. But they won't run New York City. The *state* will. The Office of the State Controller will run New York City. That's what Gov. Carey is doing up in Albany, cleaning out the dead wood and hacks and putting in people who can run things.

Q: What about the unions though?

A: Look, you know who the number one banker in New York City is? Victor Gotbaum (head of District Council 37 of AFSCME —ed.). Gotbaum is one of the guys. You know, he talks a lot, puts on a big front. You talk to him, if it's Monday, he'll say it's Tuesday, and within half an hour you'll believe him. The city and banks put him in a very tough spot last fall, they leaned too heavily on him so that Vic and Lillian Roberts, New York's Joan of Arc, had to call a strike for a day or two. We got to watch that.

You see, the big factors in this city are the unions and the banks, and there has to be give and take. The Democrats and City Hall are no longer a big factor and certainly won't be after the elections.

Given time, we can do anything we have to, but the problem is we have this damned six-month period because of the elections, and there's no guarantee the whole thing will all last that long. You got to have elected people unfortunately, and these people will wave the flag of bloody populism. This isn't Russia. You can't line up people against the wall and shoot them, so we got this mess on our hands.

Energy Independence Or Energy Disaster?

UTILITIES

The Carter Administration's energy policy, emphasizing a shift to domestically mined coal as the United States' major source of fuel is not, as Carter claims, a policy aimed at lowering the nation's bill for imported oil and protecting it from a possible Arab oil boycott.

Indeed, if this were the case, Carter's most rational policy pursuit would be to expedite licensing and construction of nuclear power plants.

In fact, the Administration's coal plans are part of the Rockefellers' grandiose "Project Independence" — a plan for a $100 billion bailout of the New York banks through funding of large-scale, domestic slave labor projects and expensive projects involving coal and coal gasification — where the Rockefellers have already made heavy unrealized investments.

Far from "energy independence," this scheme spells "energy disaster" for the U.S. economy, and in particular threatens to destroy the U.S. electrical utilities industry, the U.S. industry which has historically been the most avid fighter for economic growth and technological progress.

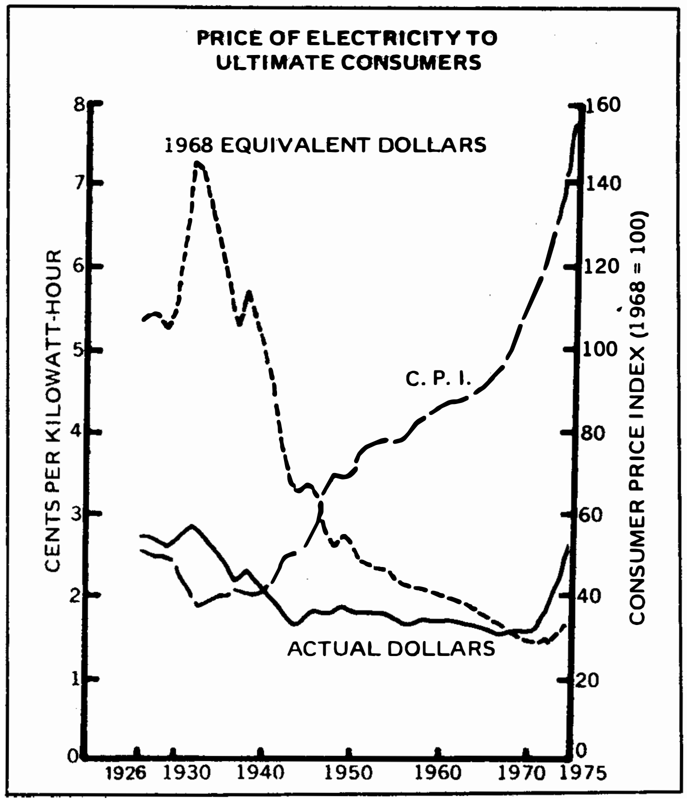
Ban Oil, Gas, and A-Energy

The Administration is proposing a ban on all construction of oil and gas burning generating plants and a heavy tax which will force the utilities to convert all existing oil and gas plants to coal by 1985. In addition, the Administration plans to allow nuclear plant construction starts to come to a half, and is canceling the fast breeder reactor development.

This forced conversion to coal will cost utilities $71 billion, the Edison Electrical Institute estimates, and will affect 115,000 Megawatts of existing and planned oil and gas burning capacities, nearly one-fourth the total capacity of the industry today.

The increased coal requirements would be on the order of 350 million tons by 1985, and presently projected coal output would have to be augmented by 88 percent — necessitating the opening of 40 new surface mines and 75 underground mines.

Additional costs to the economy are for the purchase of thousands of new railroad cars and scores of locomotives to move the coal from the West to the Northeast and from the Southwest to the Pacific Coast.



Social costs of such a magnitude can only be justified by increased energy production. But under the Carter Administration plan, the monumental sums involved will be spent largely for conversion of existing and already planned capacity. Because of the poor financial health of the utilities, these costs would be borne *at the expense of energy expansion*.

As of December 1, 1976, the Federal Power Commission projected total capacity needs of the industry to be $250 billion by 1985, if a slightly lower annual growth rate than the historic 6 to 7 percent were maintained — and not counting the $71 billion coal conversion cost. Only 60 percent of that $250 billion capital budget would be used for expanding generating capacity; the rest would be needed for improvements in transmission facilities.

Even these modest Federal Power Commission projections are made with great qualifications. As documented by this news service and admitted by all knowledgeable utility analysts, the industry is in grave financial condition. A huge and growing debt hangover, skyrocketing bond rates and a reversal of a cost