Behind the heating oil swindle

Kennedy's 'Morgenthau Plan' for the Northeast United States

With the advent of the winter heating season, the preconditions are being set to stampede passage of the national energy program of presidential aspirant Edward Kennedy. The emerging crisis taking shape in the northeast United States over the supply and soaring cost of home heating oil is directly related to Kennedy's sponsorship of S. 730, the Regional Energy Development Act of 1979.

Carefully worded to help grease its way through Congress, the Kennedy bill—identical in basic premise to the Carter national energy program soundly rejected by Congress in 1977—would authorize the creation of a federally backed semi-private corporation, the Energy Corporation of the Northeast, which would provide enormous tax incentives and federally guaranteed profits to investors in high-cost "alternative energy" programs, with heavy emphasis on coal development. The goal of the program, among others, is the "planned shrinkage" of Northeast urban areas, with inner-city ghetto populations the first to go.

Without a "crisis"—to cause panic and create the high energy prices needed to make proposed Encono projects "economical"—the Kennedy people feel that the program has no chance for passage. Kennedy set the stage for the present heating oil crisis in May of this year, in a closed door session with Senator Claiborne Pell of Rhode Island, a cosponsor of S. 730, and then-Energy Secretary James Schlesinger. The three worked out the highly controversial policy of granting an extraordinary $5 per barrel subsidy, or entitlement, for U.S. oil companies to buy heating oil on the Rotterdam, Holland, and other speculative spot markets. Within 72 hours of that move, which had no impact whatsoever on U.S. heating oil supplies, the Rotterdam price for home heating oil soared by more than $40 per ton. This jump spurred the near doubling of the current price of home heating fuel, the source for the bulk of home heating in the Northeast United States.

Already, under pressure from the multinational oil companies who are their suppliers, local heating oil companies are telling their New England customers that they will have to pay C.O.D. for any winter fuel deliveries. The result, especially in inner-city urban ghetto areas in New York, Connecticut, Massachusetts and elsewhere in the region, will be literally to freeze out whole sections of lower income populations unable to pay cash on the line for oil that has doubled in price. One spokesman for the New York NAACP declared that the effect in areas such as New York City, where much of the decayed ghetto housing is owned by the city, will be to "force people to relocate elsewhere to get assured heat."

The result will be deindustrialization of the region's cities, said a high level official of the Kidder Peabody investment house, noting that one element of the Kennedy program, the abandonment of future nuclear power plants, is already being put into practice by the region's utilities. "The process of rising fuel prices," he noted, "is the final step toward a service-oriented economy." In other words: the plans reported last week in this publication to turn the Northeast into a center of gambling and prostitution.

The Encono program

Plans for the creation of an Energy Corporation of the Northeast (Encono) were first unveiled at a top-secret planning session to map energy and social policy for the incoming Carter administration. The meeting, held in Saratoga Springs, New York just days after the 1976 Carter election victory, included such participants as Felix Rohatyn of the London-New York Lazard Freres investment bank, an architect of the New York Municipal Assistance Corporation; top Kennedy confidante Michael Harrington; and Kennedy's fellow Encono sponsor, Senator Jacob Javits. Also present was current Treasury Secretary G.W. Miller, then head of Textron.

The model for Encono is the old Morgenthau Plan for ruralizing Germany in the postwar period. That plan, advocated by then Treasury Secretary Henry Morgenthau (father of a principal figure in today's Encono plans, New York District Attorney Robert Morgenthau), called for the balkanization and deindustrialization of industrial Germany. Ironically, the same investment banking circles who backed that plan—which proved impossible to impose even on defeated Germany—are now attempting to impose the same policy against the industrial United States.

How would Encono work? The summary of S. 730 reprinted below makes clear that Encono, which is supported by the Conference of Northeast Governors (Coneg) and the New England Energy Congress, is a calculated foot in the door for this process of deindustrializing the region under the cover of "reducing our dependence on foreign oil" by "financing and promoting a broad range of energy related investments."

Encono, like Rohatyn's Bic MAC, is a carefully formulated financial swindle. It sets up a semiprivate mechanism for channeling billions of dollars from federally guaranteed debt instruments into select regional investments in such boondoggles as "small scale hydro power," solar, coal and biomass recycling. As the just released New York component of Encono, the New York State Energy Master Plan, makes clear, Encono is predicated on the virtual elimination of nuclear power generation in the region, to ensure that prices of energy stay high. The subsequent profits for Encono bond holders would be further enhanced by exemption from all state and local property taxes. Moreover, Encono would acquire effective authority over which energy projects go and which do not, placing it in control of the economy of one of the nation's most populous and highly industrialized areas. James LaRocca, New York Energy Commissioner who drafted the state master plan, is a close Rohatyn associate. His plan spells out the Encono objectives in detail: 60 percent reduction in oil use by 1994 by utilities, achieved by greater reliance on highly polluting coal, solar, and above all "conservation," a euphemism for energy austerity.

Roger Starr, a *New York Times* editorial board member and advocate of "planned shrinkage" for New York, predicted the present scenario back in October 1977 in an interview carried exclusively in this publication. Referring to how the energy issue could be used to force through otherwise unpopular social policy, Starr stated, "One of the big things for us to exploit is natural resources, particularly fuel resources. We should ask ourselves what is it going to need to develop resources [such as coal liquefaction and other synthetic fuels—ed./] that have been uneconomic to develop up to now. In a large part they may be uneconomic because there may be huge labor requirements. But what the hell. Instead of paying money for people to sit in the cities and do nothing, it would be much better to encourage them to move elsewhere and subsidize their work in those capital industries which we really have to develop now."

Felix Rohatyn, in a *New York Times* OpEd this June 8, elaborated on this policy of "encouraged relocation" when he stated that the Encono "should play a role in stimulating the increased development of Appalachian coal" through implementation of CETA-style labor camps of relocated city-dwellers. A substantial portion of funds now being debated in Congress for the creation of the parallel Energy Security Corporation proposed by the Carter administration, would go to such labor-intensive CETA job creation in energy-related jobs.

Kennedy's sponsorship of Encono is by no means merely limited to putting his name to a piece of legislation. The original Encono bill was drafted by a top Kennedy family insider, Theodore Sorenson, of the Kennedy-linked law firm Paul, Weiss, Rifkind, Wharton and Garrison. The Kennedy machine is now moving to declare a moratorium on nuclear construction, nationalization of the oil companies and "divestiture" of 16 of the largest oil companies with holdings in coal, uranium and other energy sources. Interestingly, Kennedy omits Sohio, a British Petroleum subsidiary, from his divestiture plans, while Carter includes it.

But the most extreme side to the Kennedy energy program appeared this month when the New England Energy Congress released its "Blueprint for Energy Action." Sponsored by the New England Congressional Caucus and chaired by Kennedy hack Representative Edward P. "Chip" Boland (D-Mass.), the Congress devotes most of its weighty report to such "alternate" energy sources as wood (!) to generate electricity: "200 Megawatts of wood-fired new wood-fired electrical capacity ... encouraged by tax credits, loan guarantees ($100 million in New England and $200 million nationally) and regulatory reform" to allow extensive use of this pre-Bronze Age fuel. Under this plan, the forests of New England would be denuded; tax credits would be provided for residential wood stoves; and a "wood supply infrastructure" would be built.

—*William Engdahl*