A fascist economy with 'limited sovereignty'

by Kathy Burdman

By its own admission, FEMA is planning dictionary-definition fascism for the United States. At the ready are plans for a Cabinet-level Secretary of Defense Resources and Department of Defense Resources whose mandate, under "emergency conditions," is to "reorganize all resources throughout the economy," including "financial resources, manpower resources, natural resources, industrial resources, transportation and communication".
even the authority of the War Production Board of the World War II period—and they are applicable in peace time.

This is not a mere contingency plan. FEMA's "emergency only" program has already been set into motion by President Carter, when he signed the "Proxmire-Reuss Depository Institutions Deregulation and Monetary Control Act of 1980." Under this act, familiarly known as the "Omnibus Banking Bill" authored by Rep. Henry Reuss and Sen. William Proxmire, both Wisconsin Democrats, the Federal Reserve has been given what has been described as "power above the President and constitutional government" to dictate credit flows and so the future of the entire U.S. economy. Federal Reserve chairman Paul Volcker is scheduled to work closely with FEMA "during a crisis."

Since Volcker is committed to policies of industrial "controlled disintegration" as practiced by supranational agencies like the World Bank and the International Monetary Fund, the Reuss-FEMA plan places the constitutional government of the United States in a position of "limited sovereignty" under the IMF and World Bank, mediated by the dictatorial authority already surrendered to Volcker. FEMA waits in the shadows.

The program to be carried out by FEMA's Department of Defense Resources parallels the "Economic Restructuring for the 1980s" legislative package designed by Rep. Reuss. The omnibus banking part of the package is already law, while the remainder is before Congress or in draft stages. The Reuss package breaks down as follows:

Omnibus Banking Bill. All depository institutions are required to keep reserves with the Federal Reserve, which has emergency authority to raise reserve requirements without notice or ceiling, and repeal all limits on interest rates (Regulation Q). These powers give the Fed fingertip control over the banking system. Together with the Credit Control Act of 1969 which Jimmy Carter invoked on March 14, the bill enables the Fed to cut credit so sharply to the economy that only selected sectors will survive, while others like savings banks and the auto industry are eliminated in the name of "anti-inflation" or converted to war-production. The Credit Control Act of 1969, key to this power, was authored by Joseph Russo, Financial Specialist at FEMA.

Department of Trade and Industry. This new cabinet level department would be established without legislative authority, by presidential decree—the way FEMA was created. In the Reuss proposal, the new DTI would not only take over all foreign trade functions, but would control all domestic production. It would oversee "the long-term restructuring of industry, allowing some industrial sectors to die," says a Reuss aide. "Those sectors that will be saved will be organized into tripartite boards of government, industry, and labor, modelled on Germany both before and after the war." The word is facsism.

Federal Reserve Reorganization Act. Introduced by Reuss in April as H.R.7001, this bill grants the Federal Reserve full legal control over the Department of Trade and Industry. Reuss told *EIR* recently that the Fed would

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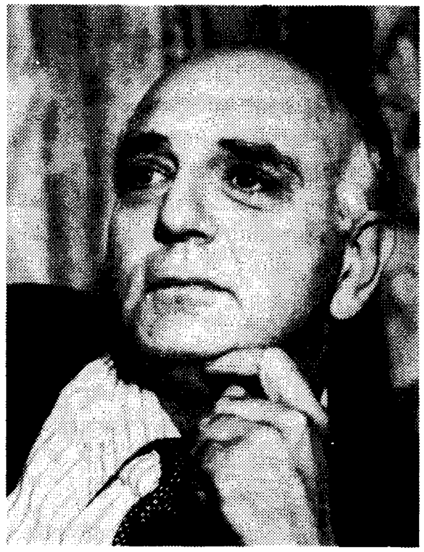
Congressman Reuss and Fed chairman Volcker (right), chief collaborators in FEMA's plan for a dictatorship in the U.S. on behalf of the IMF.



have "an advisory role, serving as economic staffing for all the departments of government, and to industry and labor." Fed staff would make decisions which American industries survive, through Volcker's direct power to allocate credit, or through the new department.

FEMA's role

Informed observers recognize that Reuss's Department of Trade and Industry, interfaced with the Federal Reserve, is nothing but FEMA's "emergency" Department of Defense Resources. On the credit and banking side, the Federal Reserve's current credit and high-interest policies were, in effect, *authorized* by FEMA. FEMA financial man Joseph Russo not only authored the Credit Control Act of 1969, but recommended most of those measures embodied in Reuss's Omnibus Banking Bill. And as Russo points out, it is ultimately FEMA alone that has all the authority required to carry out the Reuss-Volcker program of credit allocation and deindustrialization, under the National Security Act of 1947.

Otherwise, FEMA could restructure the U.S. economy on the shortest notice through its Task Force on Oil Supplis and Shortages headed by Deputy Energy Secretary John Sawhill. All it requires is a "crisis" involving oil. In fact, as a FEMA source told *EIR*, general war or even Middle East war or oil embargo would not be necessary. Any military action, such as a U.S. mining of Iranian harbors which Carter is now threatening, would suffice to trigger the entire FEMA "emergency response" plan into action.

Said Gerald Rosen, Director of the State Department Office of Rules and Energy, FEMA would take over the United States on the authority of a supranational agency! Anytime world oil availability falls by 7 percent, which it would in the case of an Iranian shutdown or blockade, the international "Emergency Sharing Program" of NATO's International Energy Agency empowers Rosen's office at FEMA to divert U.S. oil supplies to IEA members in Europe and Japan. The oil shortage thus contrived in the U.S. would launch FEMA's fascist dictatorship, the agency then "allocating on a priority basis" all oil and other energy supplies to U.S. industry, and thus crushing productive industries of its choice. Mass evacuations and forced relocations of the labor force would then follow.

FEMA bank specialist

'We're the only ones with the power to take over'

The following interview with Joseph Russo, financial specialist at the Planning and Preparedness Office of Resources under the Federal Emergency Management Agency indicates that FEMA, not any other government agency, would take over in the event of a banking crisis, and work closely with Federal Reserve Chairman Paul Volcker to administer the U.S. banking system.

Q: What are FEMA's financial programs from the war simulations which could be applied to peacetime financial emergencies?

A: We have full emergency legislation on the shelf for the Office of Defense Resources (ODR), which we would immediately put before Congress in any financial emergency.

Q: Could you give me the specifics if, say, Citibank does go under?
A: We're working on that. We're heading up the task force with the Fed and Treasury on abrogating the McFadden Act (which prohibits interstate banking by big banks and therefore allows for the existence of the American regional banking system—ed.). The Bank Holding Company Act could be ammended to allow banks to go across state lines to buy up other banks which are going bust. This will be especially useful in Illinois, where the Chicago banks are now prohibited from buying the downstate farm banks, many of which are about to go under. Under this authorization, they could.

Q: What more generalized programs are in place for a banking crisis?
A: This is mostly classified but they involve the readiness concept of sharing for loss and solvency of the banking system—that is, we will oversee the equitable distribution of resources which are left.

You must understand that FEMA is the only agency left with the authority to impose emergency wage-price controls and other emergency credit measures. Our residual authority is under the National Security Act of 1947, which delegated the authority to the old Office of Civil Defense Mobilization which left it to the Office of Emergency Planning, then the Federal Preparedness Agency, and now their successor, FEMA. We were the ones—I was at the Office of Emergency Preparedness at the time, who wrote the Credit Control Act of 1969. I developed the program during the Korean war, standby legislation under which the President could impose credit controls. Then in 1969 it was made into a bill.

I was also responsible for the emergency implementation of wage-price controls in 1971. Even the Council on Wage and Price Stability today is prohibited from implementing emergency wage-price controls—FEMA is the only agency with the authority left, under the NSA of 1947, to do so. We're intimately concerned with all problems of inflation, of international financial behavior, of the entire psychological strategy of the financial system. I've forgotten more about inflation than most of the current administration ever knew.

Q: Do you have plans to work with the Federal Reserve on emergency bank liquidity?
A: Who do you think stopped the Philadelphia bank panic during Three Mile Island? Bet you didn't even know there was one—that's how we planned it. During that time the major banks in Philly were threatened with a bank run. We stepped in—I have my man on the scene at the Philly Federal Reserve, I had him have the Fed make currency available to the banks.

Q: What about the Iran assets freeze?
A: Sure, that was us, too. We had that geared up in advance. We were, it just so happens, in the process of reviewing the President's powers and when the emergency happened last November, it allowed us to move in quickly. We wrote the executive order, we have a regular dialogue with Harry Guinter at the Fed and Stan Sommerfield at Treasury Office of Foreign Assets Control. We just had that order on the President's desk by 8 a.m.

In fact this summer we are having, through our Training and Education Bureau, a seminar on "Instruction in Programs for Emergency Management for Leaders of the Financial Community," led by Dan Sullivan and FEMA out in Boulder, for all the bankers in California to study what would be done in case of earthquake or other disasters in that region.

Iranian assets

How FEMA can create a financial crisis

The Federal Emergency Management Agency (FEMA) has been using the Iran crisis since its inception to gain control over U.S. international financial policy, and use this control to maintain a hair-trigger on an international banking crisis. This began with FEMA's instigating the U.S. Treasury freeze November 14, 1979 of some $12 billion in Iranian dollar assets held in U.S. banks internationally.

At any moment, FEMA's manipulations of these assets through its agents at the U.S. Treasury could cause mass withdrawals from international banks and a U.S. banking crisis which could place large portions of the U.S. economy under FEMA's "emergency crisis management."

FEMA's manipulation of the frozen assets has already caused a run on the U.S. dollar as OPEC and other countries shun America's currency for fear of having their international reserves frozen. It has therefore significantly paralyzed the international banking system leading to cutbacks in funds to developing nations which have had to slash their industrializing programs to the bone.

FEMA's banking policy has come in two stages. First, in November, FEMA instituted the entire asset freeze under a "national security classification." They threatened at the time to extend the freeze to all of OPEC's $100 billion dollar assets.

Then, this week the same FEMA Interagency Task Force that froze the assets was authorized by President Carter to prepare "The Iran Claims Settlement Act of 1980." This legislation would authorize the actual seizure of the Iranian assets for distribution by FEMA's agents at Treasury to "all American claimants," a Treasury source said. The threat is to extend this to all Third World nations' assets.

"We at FEMA had plans to freeze the Iranian assets two weeks before we did," said Randolph Kau, FEMA's "liaison" in Treasury Secretary G.W. Miller's office last November. "I spent the entire two weeks on the phone trying to kill the rumors we would do it. I was on top from the beginning. When Iranian Foreign Minister Bani-Sadr threatened to pull all Iranian deposits out of U.S. banks early in the morning of Nov. 14, the Treasury night duty officer called *me.* I called Secretary Miller, and Fed Chairman Paul Volcker, personally. I handled it from the top, by prior arrangement."

FEMA's contingency plans at the time, Kau continued, were to freeze the entire $100 billion in OPEC assets in U.S. banks. Asked if this was under consideration, he said, "Of course, we wouldn't be doing our job otherwise."

FEMA's up-to-the-minute intelligence on where all those petrodollars are located comes from the super secret National Security Agency which monitors all world telecommunications. "We didn't bother to rely" on regular Treasury data, Kau said. "Our data is classified on a national security basis."

Now, the same FEMA Interagency Task Force is writing Carter's "Iran Claims Act." The Act, when rushed through Congress, will allow the Department of Justice's Foreign Claims Settlement Commission (FCSC) to award claims to U.S. citizens—hostages' families, banks, any one at all—on all the Iranian $12 billion in assets. Then the Treasury, on behalf of FEMA, would actually seize the assets, which up to now have only been frozen, and take authority to disburse the funds to claimants.

"The actions we have taken," said another Treasury liaison to FEMA this week, "are preparatory to going to war ... This sets a precedent for all defaulting Third World countries. We froze the Nazi and Japanese assets during the war. We froze the DDR's assets, we even froze the Red Chinese assets. But we never actually took title to them for disbursements."

Among the countries who may default soon as a result of the FEMA-provoked international banking liquidity crisis, the officials listed Brazil. Brazil's assets would then stand to be frozen and seized, he said.