

# Deal Struck On Energy Bill As Labor, Industry Discontent Rises

After strenuous efforts, the White House has apparently succeeded in striking a compromise with Congress on the zero-growth energy legislation which President Carter under the influence of Energy Secretary James Schlesinger submitted to Congress last April. Although the details of the compromise remain to

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be worked out in conference committee sessions between the House and Senate which may not conclude for several weeks, it now seems likely that the result will be an incompetent bill whose only virtue is that it will do less damage to the economy than Schlesinger's original package. On Capitol Hill the mood is one of opportunism, cupidity and a frank desire to get out of town; in the White House, a desperation fed by the liberal media who have sold Carter the proposition he must get a bill through to "save face."

The mood in Washington is not the mood of the country; industry and labor are ripe for an alliance on behalf of increased industrial production and a quick reversal of the depression-induced decline in living standards. Bitter attacks on Schlesinger from former Ford Administration official William Clements and industrialist David Packard last week (see box) signalled that powerful southern and southwestern oil and aerospace interests are moving to force Carter to get rid of the nation's number one industrial saboteur; Clements, in fact, predicted his ouster.

Former Texas Governor and Nixon Administration Treasury Secretary John Connally, now on a non-stop nationwide speaking tour to raise a \$2 million war chest for Republican candidates and enhance his own prospects for the Presidency in 1980, charged in a speech in Indianapolis last week that Carter has "turned his back on technical advances...the (nuclear) breeder reactor, hydrogen fusion, innovations in and the use of the nation's coal supply" which provide a high-technology solution to U.S. and global energy needs (see box).

Indicating that New York business circles with strong connections to the Republican party are determined to force a substantial shift in the Administration's no-growth economic policies before 1980, the *Wall Street Journal* asked in an editorial "what happens to the Republic?" if the opposition contents itself with gloating about future victories at the polls. The *Journal* advised Carter, "instead of trying to sell the people what they obviously do not want, get back to finding out what it is they do want" (see box).

On the labor front, the leading development was Teamster President Frank Fitzsimmons' fiery speech to a southern regional Teamster conference in Dallas. Fitzsimmons, who presides over the most powerful trade union machine in the U.S., dramatically attacked the entire spectrum of British-style fabian subversion of the U.S. labor movement. He identified the Stern Fund, the Kaplan Foundation, the Rockefeller Family Fund, the phony PROD "rank and file" counterinsurgency operation in his union — and the same network of liberal intellectuals, mass media, and law firms identified by the

## 'Schlesinger — Brains Of A Goose'

*Text of Dallas Times Herald article reprinted in Cleveland Plain Dealer Mon. Oct. 24.*

Carter's attack on the American Petroleum industry was an ill-advised shot against business that could impair the economy and alienate foreign allies, a former high official said Saturday. William P. Clements Jr., former Deputy Defense Secretary who left office in January, said Carter is surrounded by "inexperienced incompetents" in the energy arena starting with Schlesinger. Clements identified Schlesinger, his former boss in the Defense Department, as the orchestrator of Carter's attacks and called Schlesinger "a bureaucratic opportunist and intellectually dishonest person. In my opinion Mr. Carter will decide before very long that he's had all of Mr. Schlesinger he can stand. My two and a half years with Schlesinger in the Defense Department convinces me he knows absolutely nothing about the free-enterprise business system and what is required to encourage private

capital. To the contrary, Mr. Schlesinger is anti-business, in favor of more government and bureaucracy, and has on several occasions endorsed Sen. Henry Jackson's theory of a national oil company."

Clements, chairman of the world's largest oil-rigging company, the Dallas-based SedCo, said "If Mr. Carter has intentionally sought to recruit the most anti-business, anti-petroleum-industry man in the country, he couldn't have better succeeded than by bringing Schlesinger into the Administration."

A Carter aide said Saturday that the White House won't "dignify Clements' intemperate attack with a response." Clements' attacks came shortly after the *Wall Street Journal* reported that another former Deputy Defense Secretary who preceded Clements in the Pentagon, David Packard, now chairman of Hewlett-Packard, told the Business Council that Carter's energy program is a "disaster" and that Schlesinger "doesn't have the brains God granted a goose about the way the economic system is supposed to work."

## Strauss — 'Preferred Policy And Practical Policy'

The following is an interview with high-level staff members in the office of Robert S. Strauss, former chairman of the Democratic National Committee and presently Carter's Special Representative for Trade Negotiations.

Q: I would like you, first, to comment for *EIR* on a statement printed in the *Cleveland Plain Dealer* and the *Dallas Times Herald* by William Clements, former Deputy of Defense in the Ford Administration attacking James Schlesinger.

A: Go ahead. I want to hear it.

Q: (Article read in full.)

A: (Pause.) One thing about it doesn't hold up. You see, you have to get this straight. Carter likes Schlesinger personally. Carter's not close to very many people in the Administration. But he likes Schlesinger and, you know, he feels comfortable with him. Meets with him for several hours every day discussing energy, foreign policy, etc. He's personally close to him and, in this respect, it is difficult for others to get close to him... This is the basic problem..., well, that's the situation."

Q: What role is Strauss playing in the Administration (reference made here to the front page article in the *New York Times* of Sunday, Oct. 23 entitled "Strauss Emerging As Key Carter Aide.")?

A: Strauss is playing the role he's best at — the "honest broker" — getting all side to compromise.

Q: You mean on the Carter energy package and on foreign policy?

A: On energy, yes. Strauss is using his leverage to find the grounds for compatibility on both sides.

Q: So Carter's going to compromise with Long.

A: I wouldn't say that and Carter wouldn't announce that certainly. But, really, there is going to have to be a compromise. But I won't say what it is. We're going to wait, of course, until the Hill decides and then we'll announce what we are going to do.

*Journal* as the authors of both the Administration's no-energy program and the destabilization of Carter — as engaged in a conspiracy against the United Steel Workers (USWA), the United Mine Workers (UMW) and the Teamsters (IBT).

Fitzsimmons' remarks (see below) were videotaped for national distribution to Teamster locals, a signal that the union intends a mobilization on the issues he raised.

The U.S. Labor Party is the key mediating force which will bring the labor-industry alliance into being around the key issue of economic program. The party's influence in both sectors is at an all time high. Knowledgeable U.S. circles are fully aware that Connally's public boost for fusion power comes after a four year campaign by the party newspaper, *New Solidarity*, identifying fusion as the long-term solution to global energy needs. Fitzsimmons's charges were originally aired in a Labor

Q: That's a compromise.

A: Well, I'll say this. No one is going home before Christmas saying they won. And nobody's going home saying they lost. That will be the result.

Q: On international policy. Wouldn't you say Carter's policy is irrational and forcing the Europeans, to break with the U.S. and the dollar, because we are asking them to cut back energy and therefore their own development?

A: Well, I don't want to say much on this. But, yes, I would say there is an "apparent contradiction" in Administration policy. We prefer to distinguish it in this way. There's Carter's "preferred policy" and another "practical policy" and we see our job to modify Carter's policy in the direction of a more pragmatic policy. Certainly we don't want to see Europe go under economically and, if you will notice — I don't have the exact dates when he said this — but Carter has made statements recently modifying his stance on the breeder program for Europe. This is beginning to correct the "idealism" which has prevailed on this side of his policy..."

Q: Did you know that there was a meeting of City of London central bankers this week where they discussed raising oil prices and squeezing the U.S. out of the energy market and then reinvesting here in low-technology marginal resources?

A: (Taken aback). No I didn't know it. I can't imagine why they would do this. Anyway I don't know what's going on in Europe and don't want to comment.

Q: Well, you know Felix Rohatyn proposes that OPEC invest in his marginal resources energy development bank scheme...

A: Well, Felix is very clever. He's a creative thinker and will look for ways, as he has in the past, to move petrodollars back to the U.S., but I don't think this scheme will work..."

Party pamphlet, "The Plot to Bust the Teamsters," on sale at the Dallas conference. The pamphlet, over 50,000 copies of which have already been sold, is expected to be printed in a 100,000 run for mass distribution to Teamster locals during the coming week. Now the party is in negotiations with top officials of the United Steel Workers to facilitate mass distribution on a similar scale of the party's program to rebuild the U.S. steel industry, one of whose largest companies Bethlehem Steel, reported the largest quarterly loss ever by a U.S. corporation last week.

### *Fog Over Washington*

The immediate task of the emerging labor-industry alliance will be to sweep away the fog in the nation's capital. Foolish political maneuvering is no substitute for a competent program, as this week's developments

around the energy bill conclusively proved.

Early in the week it became obvious that a deal of sorts between Carter and key congressmen had indeed been consummated, as both the *Baltimore Sun* and *New York Times* touted the emergence of Robert Strauss, former Democratic National Chairman, as the Administration's new backroom power broker who would solve its problems with business, labor and Congress. Strauss's office admitted he was brokering an energy compromise in response to pro-development pressure from Europe and the U.S. in an exclusive interview with *EIR* (see box). The office of Sen. James Abourezk, a leading Democratic liberal who has attempted to keep the Senate version of the bill as close as possible to the original Schlesinger version passed by the House, outlined its substance with respect to the key tax provisions of the bill in another interview presented here.

Led by Senator Henry Jackson, fabian-liberal forces posturing as "defenders of the President's program" then mounted an assault on Senator Russell Long, a conservative southern Democrat with close ties to the oil and gas industry. Long's Finance Committee had earlier rewritten the tax portion of the bill to eliminate the crude oil equalization tax, and a host of other taxes on energy production contained in the Schlesinger version of the bill, and had proposed as Long's preferred solution a large scale Energy Development Corporation to fund high-technology jobs creation. Long had also, however, included in the bill language which in effect authorized him to negotiate a compromise in the conference committee restoring the crude oil equalization tax provided that some of the funds derived from the tax were "plowed back" into energy development.

First Jackson and the liberals moved to knock out the EDC by threatening to trap the entire energy tax bill in a labyrinth of parliamentary procedural objections if it were included. After Long withdrew it, before the bill

## Connally Goes After 'Alien Philosophy'

*The following are quotations and paraphrased remarks made by Republican presidential contender John Connally during a speech in Indianapolis, Ind. Oct. 25*

"The Carter Administration is one of retrenchment and retreat." (Attacks Administration for failing to build the B-1 bomber, endorsing premature withdrawal of U.S. troops from South Korea, and allowing the American Zionist lobby to endanger the success of Mideast peace negotiations.)

"The Carter Administration is negative. The Democratic Party has adopted a negative philosophy, foreign and alien to the people of the United States. Carter has turned his back on technical advances ... in weaponry, developing the (nuclear) breeder reactor, hydrogen fusion, and (use of) the nation's coal supply....

The Democratic Party has adopted a notion that we've seen everything, done everything, there are no new rivers to cross, no new worlds to conquer...."

## 'Carter Will Compromise'

*Interview with a staff member in the office of Senator James Abourezk (D-SD).*

"Here's what's going to happen on the energy legislation. This is not simply a prediction based on flimsy evidence or rumors. Everything stacks up as following — Carter's behavior, the Senate and house conferees' behavior. Carter will compromise and we don't like it. Abourezk prefers no bill rather than this compromise. But Carter wants a bill, any energy bill, and he wants it before Christmas. Only a few like Abourezk are holding out to kill it altogether.

The guts of the deal are these: One. The Senate will pass a bill substantially along the lines of the bill Senator Long passed through the Finance Committee. Two. The likely outcome of the House-Senate conference is agreement on a crude oil equalization tax. One-half of the taxes will be rebated back to the public and one-half will go into ploughbacks. We're not sure what will happen to Long's energy development corporation, but he could push this through later once he's got his tax ploughbacks enacted."

was reported onto the floor, indicating he would bring it up as an amendment at that time, Jackson and the liberals then moved against his authority to negotiate a compromise in conference on the grounds that it would become an "oil company ripoff." When that amendment was voted down, 56-38, Republican Senator Robert Dole rallied congressional conservatives behind a motion to kill the bill altogether on the grounds that it was "not an energy bill, but a tax-gouging scheme."

The liberal press immediately played up this "liberal-conservative coalition" as a major political event. In fact, it was all a cynical charade.

Early in the week, Carter had quietly let it be known that he wanted the Senate bill passed quickly and sent to conference and quickly voted on in substantially the form in which it came out of the Finance Committee. Jackson and the liberals, therefore, were acting on behalf of Schlesinger, not Carter, when they attempted to intimidate Long and gut his authority, and weaken his hand so the bill would resemble the Schlesinger version. The Dole operation, on the other hand, instead of attempting to rally pro-growth congressmen behind a competent approach by pushing a high-technology EDC, contented itself with irresponsibly piling up political points against Carter for what one Senator called the "Rosemary's Baby" bill which is quite likely to result from the compromise.

At week's end Long had not yet reintroduced the EDC, and his numerous statements on the floor that he would fight only for "a bill the President wouldn't veto" indicate that he and the Senators backing him are now primarily interested in securing the appearance of having acted responsibly on the energy issue. "Maybe next year," a few have said when confronted with substantial support assembled by the Labor Party for an

EDC emphasizing nuclear power development.

A sudden weekend statement by Carter saying he favored an "eventual end" to deregulation of natural gas prices was immediately interpreted by Congressmen as a sign he was willing to compromise on this key issue of the bill as well; the Senate had decontrolled prices altogether, the House had preserved the controls with a small price rise.

Business and labor must share responsibility for the grave risk that the country will now get a bad bill or no bill; neither has mounted an effective lobbying operation on behalf of a comprehensive nuclear development program and have contented themselves with trying to "fix" the Administration's bill with their own pet nostrums. Fortunately, as the Fitzsimmons, Connally and other statements show, forces to correct that situation are now in motion.

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## 'Selling The Eskimos'

*The following was the lead editorial in the Wall Street Journal Oct. 26.*

The story of the week, we see by the news magazines, is that the Carter administration is in deep trouble. After nine months, all Jimmy Carter has to show for his effort is falling popularity, a falling dollar, a falling stock market, a fallen Bert Lance, and fallen arches on Capitol Hill. "Can Jimmy Carter Cope?" Newsweek asks, reporting that the "currently fashionable gossip" is that he cannot.

But he has to. It's fine for the Republicans to cluck about Mr. Carter's slide and project big wins in next year's congressional elections and a recapturing of the White House in 1980. But what happens to the Republic meanwhile? If the stock market falls 180 points in each nine-month stretch between now and 1981, as it has in the last nine months, it will be below the line.

No. Sooner or later Mr. Carter simply must sort things out, if only by trial and error, though we do worry about the damage that will be done between now and then. The same fashionable gossip that is now writing off Mr. Carter and his Georgia boys is at the same time trying to needle them into betting all their chips on a quick victory, something to save presidential face.

The result is a cry of all hands on deck to save the energy bill. If the energy bill can be salvaged, goes the theory, the President's decline will be halted and he can hold his chin up as he goes into the second year of his

Presidency. If somehow, the bill is lost to the treacherous Senator Long of Louisiana (or is it Transylvania?), the Carter people will be doomed henceforth to slink in shadows.

The essence of this diagnosis is that what Mr. Carter lacks is salesmanship. Not substance, but style.

It's hardly surprising that this now is the conventional diagnosis in Washington, because it comes from the folks who designed the substance of the Carter program, the Democratic intellectuals and technicians who reside in the capital year in and year out. As far as they are concerned, they designed wonderful policies, and the only problem is that the clods from peanut country have lacked the wit to sell them.

But it's one thing to sell Eskimos iceboxes and another to sell them nudism. This group that designed the \$50 rebate, which Congress rejected, is the same bunch that designed George McGovern's \$1,000 rebate, which the national electorate rejected. Conserving energy by passing \$100 billion in new energy taxes is an idea that came down the same chute.

The problem, you see, is that the American people do not know what is good for them. But they can be sold anything if it's done right. Panama Canal treaties. SALT treaties. Gas-guzzler taxes. Oil taxes. Social Security taxes. Capital-gains taxes. If only Mr. Carter would name a White House chief-of-staff to take charge of the salesmanship. Or, make friends with Senator Byrd of West Virginia. Or, go over the heads of Congress to the American people.

With all this pulling and hauling, President Carter is likely to get his face-saving energy bill. He'll get a compromise out of Russell Long. But it won't do anything for his standing in the country or among the fashionable gossipers of Washington. The liberals will disown it and blame the President for failing to strongarm the Senate. The Republicans and oil-and-gas Democrats will disown it too.

Sooner or later, though, President Carter will sort things out and learn how to cope. The key is that his administration is in trouble not because of style, but because of substance. He doesn't need new speech-writers, he needs new policies.

He, his team, and the country too would be much better off if he forgot about salvaging something out of the mess that is now the energy legislation, forget about face, and chalk up the last nine months to experience. He can start from scratch, and instead of trying to sell the people what they obviously do not want, go back to finding out what it is they do want. That's how he got to be President in the first place.