The oil price increase choked off the margin of social surplus and industries began liquidating their huge inventories. The U.S. economy went into head-long collapse, as vast stretches of the industrial heartland of the United States shut down and the unemployment lines wound around the blocks. The Commerce Department's industrial production index fell 8.9 percent from 1974 to 1975. At the same time, in 1975, the number of unemployed nearly doubled to 7.8 million, representing 8.5 percent of the workforce and consumer prices skyrocketed at 11.0 percent for the year.

From that point, the oil price increase, along with raw material price increases, built a 7 to 10 percent permanent level of inflation into the economy. Part of the inflation affecting the United States today arises from the 1973-74 oil price rise.

Replaying that crash again

This time, despite the failure of the Iran turmoil to produce an actual oil shortage, Energy Secretary Schlesinger is hell-bent to repeat the oil price increases of 1973-74—adding the shutdown of other energy sources, such as nuclear.

During this year, the increase of the U.S. oil bill be $52.5 billion, which is nearly twice the $27.3 billion size of the 1973-74 price increase. But, the effects will be worse, since the economy today is not twice as large as it was in 1973-74.

This latest oil price increase is premised on the assumption that imported OPEC oil will rise from its $12.70 benchmark price to $16.00 — with an additional shipping and insurance cost — and that domestic oil, because of decontrol, will float from its average composite price of $9.50 to the $16.00 per barrel OPEC price.

Consider what this $52.5 billion represents as a tax on the economy. This figure is larger than all the real industrial profits of the U.S. when these profits are deflated and corrected for capital replacement costs.

Not only will the oil price increase wipe out industrial profits, but the real rate of surplus, as measured by the econometric model, will take a dive (see graph). If the model did not assume constant levels of productivity, the fall would be much worse.

The $52 billion leap in oil prices represents an increase of nearly 70 percent, hence a 10 percent increase in the Consumer Price Index (correlating a 7 percent oil price increase to adding 1 percent to the CPI).

This will include developments such as paying $1.00 per gallon for gasoline.

— Richard Freeman

III. Transportation sabotage

The current Teamster strike is the direct result of provocations by the Carter Administration: Chairman of the Council on Wage and Price Stability (COWPS) Alfred Kahn, Energy Secretary James Schlesinger, and National Security Council chief Zbigniew Brzezinski.

By turning the selective action taken by 300,000 Teamsters into a national lockout, Kahn, Schlesinger and their coterie hope to necessitate federal government response to the national shutdown of the trucking industry. The paralysis of the U.S. economy would then allow the Administration to neatly use the war-economy crisis management mechanisms of the Federal Emergency Preparedness Agency (FEPA) and the Federal Emergency Management Agency (FEMA).

Weeks before Teamsters Master Freight agreement expired, Kahn's council made no bones of its intent to provoke a strike that would damage the credibility of the International Brotherhood of Teamsters. Said a spokesman of COWPS regarding the Teamster negotiations: "I can tell you that whatever happens, this office and Mr. Kahn are not going to give in and say that a 12, 11, 10 percent a year wage increase would be okay... We have a commitment to hold the line and we have chosen the Teamster contract as our test... Sure there are other contracts that have pierced the guidelines... the Teamsters are our main enemy right now."

Frank Fitzsimmons's April 1 announcement of the strike which singled out the Carter Administration and the COWPS' meddling was on target. Trucking industry sources reported the next day that an agreement with wage increases in excess of 7 percent had indeed been in hand until Schlesinger and Kahn stepped in and sabotaged it. Kahn reportedly forced the industry's negotiators to adopt a tougher stance and at the same time refused to allow any increased costs incurred through providing an improved cost of living escalator to be passed along.

Not coincidentally, government spokesmen have revealed that Kahn is fully coordinating his action with Schlesinger, the Energy Department and the NSC. In turn, Kahn and his collaborators are alerting crisis managers with the DOE and NSC on the pattern of transportation strikes developing as a result of the 7 percent guidelines (see below).

There is strong evidence that Schlesinger, Kahn, and Brzezinski deliberately contrived to mesh the Teamster's strike with the energy austerity derived in part from the incident at Three Mile Island.

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Push for deregulation

However, only one federal agency has taken "emergency" action so far: the Interstate Commerce Commission. The ICC's immediate response to the Teamsters strike was to move for defacto deregulation of the trucking industry — ostensibly to encourage non-union and independent truckers to continue working and fill gaps created by the strike. Both the union and industry have branded the ICC's actions as having the potential to trigger violence.

Sources have said that the ICC push for deregulation was advised by FEPA and made with the approval of the National Security Council. Moreover ICC officials have stated that they are fully committed to pursuing complete deregulation following the strike as well — regardless of what Kahn and his COWPS may promise the Teamsters of the trucking industry to induce them to settle near the guidelines.

— *Lonnie Wolfe*

The effect of the forced strikes

The Teamster lockout alone could shut down the economy.

While a selective strike by the Teamsters would have a serious but not paralyzing effect, the full lockout by the more than 500 companies affiliated with Trucking Management, Inc., the bargaining arm of the trucking industry, will throw approximately 1.5 million workers out of work by the lockout's second week and over 2.5 million by the end of four weeks, according to government estimates.

As one trucking industry analyst indicated, a strike/lockout functions like an ever tightening torniquet on the economy. The first industries to have their production schedules disrupted are those requiring shipments of large numbers of parts, raw materials, components, etc. which require continuous resupply like auto assembly plants.

Although no authoritative figures are available — the government has refused to publish figures until April 12 — large-scale layoffs and short work weeks have already hit the auto industry. The next ratchet — the one that produces the million plus layoffs — occurs when the effects of slowdown in production in primary assembly industries like auto, begin to ripple back to feeder/supplier plants, etc. A third ratchet occurs when the suppliers of the feeder industries begin layoffs, including primary suppliers like the industry. This will begin sometime in the third week.

When the Teamster lockout is joined to other forced strike in rail, airlines, shipping, etc., the effects are multiplied.

If provoked violence occurs in any of the strike situations — violence which will be carried out by government-protected hit teams under the cover of terrorist-linked Teamsters for a Democratic Union/PROD, Inc., and independent truckers groups — then government crisis managers expect the whole shutdown process to speed up. "Industry will panic at the first signs of violence," said an official of the Federal Emergency Preparedness Agency. There will be 'panic layoffs'."

Will the trucking industry survive?

The trucking industry is likely to be a permanent casualty of the combined Schlesinger sabotage.

The industry is already in fragile financial condition. A prolonged strike will produce a significant number of bankruptcies, as cash poor companies become unable to meet payments to their creditors. While unwilling to make precise estimates, government officials agree that a strike of more than 2 weeks will produce such a result.

If the Interstate Commerce Commission (ICC) refuses to allow pass along rate increase covering portions of any contract settlement, as they have threatened, additional bankruptcies will occur.

More significant than the cost of a new contract, the Schlesinger-orchestrated hike in the price of fuel will devastate the industry. "We're going to be killed by a fuel price hike," said one industry source. "Our profit margins are so small already thanks to increased fuel and other costs, a new hike will send many of us packing."

Moves to deregulate

But the most dangerous threat to industry is the plans of inflation chief Alfred Kahn, Dan O'Neil of the ICC, and Senator Edward Kennedy (D-Mass) to dismantle the industry through "deregulation." Over the course of the last six months, the ICC, with the full backing of Kahn, has started the process. Kennedy's people, as well as O'Neil, view the strike/lockout as a stepping stone for further action.

On the first day of the strike, O'Neil issued a temporary emergency order effectively deregulating the industry. It's intent was to promote scabbing by nonunion truckers and independents. "This is important," said ICC spokesman. "W e are going to prove a deregulated industry is there for the offing..."

Under present law, the ICC regulates the trucking industy by setting standards, freight rates, defining and assigning interstate trucking routes. The regulatory "reform" now being proposed and implemented creates "competition" between underpaid, overworked independents and trucking companies whose employees are

under the protection of the Master Freight agreement.

Similar to the legislation of 1926 and 1931, which created U.S. commercial aviation, the intent of Congress in passing the 1935 Transportation Act was to created an effective internal transport system — not to "support" an industry for its own benefit, not to "regulate" a monopolistic monster in the interests of a vague "public" at its mercy.

One little-mentioned feature of ICC regulation of motor carriers is that operating authorities (route certificates) not only permit a trucker to service a particular route or pair of terminal points, but also *oblige* him to. Under conditions of Kennedy-style "deregulation" — especially "free entry" to routes of one's choice — nothing would prevent any and all carriers from abandoning the less profitable runs altogether.

Just as a highway or education system "subsidizes" certain classes of users through disproportionate taxation, ICC regulations of free entry and rate setting ensure that smaller communities and smaller shippers have a motor carrier service that is affordable.

These smaller business communities are in no way marginal to the economy. Every major manufacturing industry, and high-technology agriculture as well, is served by hundreds of thousands of feeder plants, most of a size that could never guarantee a trucker a full "truckload" (TL) shipment. One need only think of the aerospace-electronics firms of Boston's Route 128 and northern New Jersey, or the many parts and specialty plants that feed the auto assembly plants. The moment free entry and price deregulation go into effect, every carrier with an eye to survival would have no choice but ponding industrial base to create the outbound shippers and for communities where backhaul shipments were not plentiful.

For example, an auto manufacturing firm under deregulation would have no trouble finding cheap rates to ship finished autos, but the many small companies supplying parts will either have to pay higher rates, or worse, be unable to ship on schedule as service becomes less and less reliable. This potential bottleneck includes a multitude of small machine shops that produce many of the dies used by the manufacturer; similarly the hundreds to thousands of subcontractors supplying an airplane manufacturer with components and subassemblies, accounting for some 50 percent of the total cost of the aircraft. To this direct cost factor, add the disruption as parts do not arrive on time, and total cost goes up even further as assembly line processes break down. Thus, even if increased trucking costs on unprofitable routes are offset completely by corresponding reductions in long-haul traffic, a new increased cost to the economy, measured in finished goods, remains.

— *Lonnie Wolfe*

Government interferes in transport talks

As in the Teamsters contract talks, the major instrument of interference by the government in the peaceful settlement of transport disputes is the 7 percent guideline. Due to the density of contract talks, the government has now succeeded in causing strategic freight bottlenecks in air sea, and rail travel simultaneous with the trucking disruption.

Eighteen thousand members of the *International Association of Machinists* have shut down United Airlines, the nation's largest commercial carrier. Kahn's interference played a major role in provoking this dispute which has seriously begun to disrupt air freight.

Members of the *International Longshoreman's Association*, who operate tugs, barges, and tankers struck all East Coast ports April 2 after rejecting a Kahn-induced contract offer within the 7 percent wage and price guidelines. The strike of 2,800 dock workers has the potential to seriously hamper shipping and energy supplies.

Conrail, the nation's major rail freight carrier, could be hit by a strike if Kahn and the Council on Wage and Price Stability decide to reject a newly negotiated contract in excess of the wage guidelines. Any such strike would have disastrous effects on the economy.

A strike by railworkers against the *Rock Island Railroad* is also seen as highly probable. A strike against this line which handles key North-South links in the Midwest would hit freight shipments hard.

Flight attendants may also be forced to walk off their jobs at *Pan American Airlines* by April 7 if an agreement cannot be reached. Should the strike happen, Pan American would likely be shut down, which would prompt more chaos in air shipping.

A strike by 70,000 members of the *United Rubberworkers (URW)* against all rubber producers but Firestone is now seen as likely on April 21. Sources say that at the root of the disagreement are the increase petroleum costs for rubber processing, a side effect of the rigging of the oil markets, by the Administration's austerity apparatus.