

Lazard Freres' ENCONO Will Destroy Northeast Industry

A piece of legislation now being circulated secretly in circles close to Lazard Freres' general partner Felix Rohatyn will give that banking group and allied financial interests a fascist form of direct control over all industry and energy supplies in the northeastern United States.

Sources report that within six weeks members of Congress and legislatures of nine northeastern states will simultaneously receive enabling legislation to create the \$32 billion Energy Corporation of the Northeast (ENCONO) to fund "energy investment" and "conservation" programs. Planning documents obtained by this newsservice show that the ENCONO scheme, god-fathered by Rohatyn with the support of Walter Mondale, will become part of Energy Czar James Schlesinger's development of a national energy dictatorship and slave labor plans.

British Subversion

For nearly 200 years British-linked monetarist interests, of which Lazard is now the current leading representative, have been waging a war of subversion to destroy the American republic. The Rohatyn plan, backed by fellow British agent, Mondale, gives these saboteurs a chance to finish the job. Our founding fathers wrote the U.S. Constitution to foster industrial progress and created a federal republic to accomplish that end. The Rohatyn plan is explicitly committed to a policy of deindustrialization and "regionalism."

One planning document discussing the problems of the region, concludes that the energy corporation must foster policies that "encourage and support non-energy intensive industries" and wherever possible, use of "labor-intensive methods." Another document describes the Corporation creating "a European Economic Community-type formation for the Northeast;" Rohatyn's planners envisage "a new war between the states" of the Northeast and the Sunbelt over dwindling energy supplies. "It may not be bloody, like the last one," said one source close to Rohatyn, in a reference to the Civil War — the last British effort to Balkanize the U.S. — "But we're going to have to fight. With the Corporation, we can do a lot of credible threatening to force concessions."

Walter Rostow, the former Kennedy Administration Vietnam War planner and now a professor at the University of Texas, is trying to sell the idea of forming similar corporations to other sections of the country. Rostow, who describes himself and Rohatyn as "twin crusaders," has already made sales pitches to Midwest, South and Southwestern governors.

Beyond The Constitution

The Corporation, to be chartered by the Congress and the various state legislatures, would sit outside the *effective* control of either; its policies and investments would be controlled only by a board of directors dominated by Lazard and its allies and flunkies in in-

dustry and politics, like New York's Gov. Hugh Carey, and fellow members of the Conference of Northeast Governors (CONEG), the proposal's nominal sponsor. And while its planning documents specify that it is not a "regional government," its broad powers and effective freedom from control by constitutional authority make it *more powerful* than what has previously been discussed as "regional government." In breadth of conception and stated investment policy, ENCONO powers would exceed those of Rohatyn's Municipal Assistance Corporation (MAC) which imposed austerity only on New York City, of the Tennessee Valley Authority ("We are not a power company," says ENCONO's planning documents, referring to the TVA), and of even Hjalmar Schacht's "Mefo" Corporation, which funded Nazi Germany's rearmament.

How Lazard Gains

Investment banks like Lazard Freres and Lehman Brothers have been able to influence corporate policy because of their position as marketers of corporate securities. In return for syndicating corporate offerings, these banks ask that a company carry out this or that investment policy, rationalization programs, etc. to make offerings "more attractive." In addition the investment banks, through their own holdings of corporate equity, are occasionally able to place a management specialist on key boards of directors.

Lazard and its cohorts have pushed policies that would "free" corporate funds from relatively "low yield" investments, such as modernization of plant and equipment, in favor of "quick buck" speculation in currency markets.

The planned northeast "Energy" Corporation offers Lazard a new kind of power. Through the purchase of long-term energy supply contracts from producers — which will include several investment bank-owned power companies — they will have critical bargaining power with corporations who are reluctant to go along with the Carter energy policy, in specific, its coal conversion plans. Reluctant customers "can be left out of supply arrangements."

As the legislation specifies, the Corporation will be able to demand equity for its investment in energy projects. For example, if a steel company wants money to install pollution controls on its plant, the Corporation will get an equity position which it can use to "protect its investment."

A study done for the planners of the Corporation concluded, "equity positions, however small, provide windows on industry which are worthwhile not only for their informational (i.e., monitoring — ed.) value but also as a vehicle through which the government can make *its* (their emphasis — ed.) priorities an element of private sector decision-making." And while the legislation contains several references to turning over the

“projects” to private enterprise after a start up period the time it takes before the particular project begins to bring in money there is no talk of when or if the Corporation would yield its power to lobby within corporations to “protect its investment.”

Aides to Governor Carey specified that these extraordinary powers over the private sector would be used to “bring the stragglers into line” behind the Mondale-Carter energy program.

“The Corporation”

The cited planning documents repeatedly refer to ENCONO as “the Corporation.” ENCONO is not a corporation in the normal business usage of the term and has nothing to do with “free enterprise.” By “corporation,” Rohatyn and his co-thinkers mean “corporation” in the fascist sense, the tradition of Mussolini’s corporations or Schacht’s *Mefo Corporation*.

The “Corporation” is to be controlled, according to legislation drafted by the Lazard-linked Ted Sorensen, of Weiss, Rifkin, and Garrison lawfirm, by a Board of Directors consisting of five members appointed by the President of the U.S. with Senate consent, one member appointed by the Governor of each participating state, and two members selected by “private shareholders.”

Sources close to Rohatyn report that they have *already* received word that such appointees by the Federal government and the state will be “people who we (Rohatyn) want.” “We’re not expecting any trouble from the Fed or the states, said an aide to Carey. “After all they know who is setting this up.” As for “the private directors,” they are expected to come from the investment bank or commercial bank allies of Lazard since they are the only people with sufficient capital to “buy in” on a piece of the action. In other words, Rohatyn and Lazard run the show. Rohatyn is reported to be now considering having himself appointed to the Board and made its chairman.

Funding

The board will have broad powers to allocate the resources of the Corporation. It will raise its “start up” capital from contributions from member states to the tune of \$1 per citizen (i.e., New York with 16 million people will contribute \$16 million, etc.) and the purchase of capital stock by “financial institutions and “private investors.” “Let’s be honest,” said a Rohatyn aide, “we are talking about major contributions from certain New York banks and maybe the OPEC countries. We’d like to eventually see several billion in capital stock of the Corporation.”

Once three states ante up, and their legislatures pass on its enabling act, the corporation is in business. And as long as it is in business, no one can withdraw without losing his full investment.

The Corporation will then raise additional funds by issuing Federally-guaranteed securities, according to a 15:1 ratio based on the amount of capital contributions. Thus for each \$100 million in contributions, the Corporation can rely on full faith in the credit of the U.S. Treasury to back up \$1.5 billion in its interest-bearing notes or bonds.

“We look to about \$2.4 billion in ‘contributions,’ ” the

Rohatyn aide said. “And \$32 billion that we will have to play around with.”

Fascist Program

This money will go to any number of “energy-related projects or programs.” Among those listed in the proposed legislation are: production facilities for coal, hydro or solar energy; transportation and distribution facilities; the purchase of long-term contracts for the region’s energy users to assure a stable market for energy producers; new technological development programs for energy, specifically coal gassification, wind, solar, wood, and cogeneration (use of heat from electrical generation processes for space-heating, etc.); production and promotion of conservation materials for industry; funding of coal conversion, etc. for industry; creation of industry, in the inner city, that would produce “energy conservation”-related materials; production of new power plants.

Written in the legislation are provisions for review by individual Governors and the Secretary of the Treasury of the Corporation’s projects and sops to “free enterprise” conservatives about how the projects have to eventually produce revenue and they should only be funded if no other sources of funds are available. These too were described by a Rohatyn aide as “cosmetic appeasements” to the bill’s opponents.

“The Board can and will do damn well what it pleases with the money and no one is really going to stop it,” said the aide to Carey. As for being the lender of last resort, the Corporation will likely become the lender of first, last and only resort, the aide pointed out. The whole idea is to reduce the lending requirements of other institutions and “to take the risks that no one else would take,” the aide said. “We will have fifty per cent of the cost available (note: the Corporation can only contribute up to fifty per cent of the cost of any one project unless its board waives the requirement) but those who want it, are going to have to pay the price. Our money will be used as a prod to get people to see the advantages of the Carter energy program....”

Design For Slave Labor

The ENCONO planners are quite explicit about the major thrust of their so-called development schemes. In several interviews, they have boasted that theirs is the only plan that actually understands how to build low skill, labor intensive jobs into the private sector of the economy. This, they report, would make use of “the vast untapped resources in the decaying ghettos” and represents a commitment to something “beyond continuous public sector employment programs for unemployed blacks and Latins.”

The energy industry and its potential “to generate millions of jobs in the private sector” is the key to the policy.

Rohatyn himself has talked of moving energy related industry into the ghetto and employing “poor people” with minimum additional skill training in labor-intensive jobs. Various investment scenarios done up for ENCONO spell out this policy more concretely. ENCONO, says one study, should make a major use of heat generated from the production of electricity by burning coal, using steam

turbines, etc. Small co-generation electrical plants would be built with ENCONO capital; the plants would supply both electricity and heat for an industry park and low income housing for its workers built in the immediate vicinity of the plant. The "ideal" location for such parks, which are in turn to be based on energy-related industry and create low skill jobs, would be "inner city ghettos," with the South Bronx — perhaps the worst slum in the entire nation — targeted as a "good place to get this off the ground." ENCONO would also fund the housing and plant investment to get things started.

Projected onto a regional scale, thousands of co-generation plants, which are reportedly too small to be economical for a normal utility to even consider building, would produce power and heat for thousands of "industrial parks" and have the potential to create "millions of jobs." As a byproduct, the ENCONO planners gloat, "we will have created new 'work communities'" which give "us (Rohatyn's co-thinkers — ed.) the chance to really put blacks and Latins to work..."

Other projected ENCONO "investments" in coal production would create the possibilities for mass relocation of urban poor to "development sites" outside the city. This the planners report, would save tens of millions in current costs of the financially strapped inner city."

"We are talking about an urban policy when we talk of ENCONO," one aid to Gov. Carey said. "There is no way that energy and urban considerations can be separated. We had better learn to make them complimentary..."

Regional Warfare And The Coal Development Swindle

The legislation allows for the Corporation to invest to secure energy supplies outside the region. Commercial banking interests presently control a majority of the coal now in the earth — i.e., own the land that it is under. Under present Corporation plans, ENCONO would buy up some of this land in West Virginia for use in the northeast. One proposal calls for the relocation of thousands of unemployed from the northeast's cities to work in such a project.

This type of scheme satisfies all the fascist planners in the Lazard-Mondale camp — it provides a slave labor development site that would involve labor intensive jobs; it gives a nice fat payoff for the land to banks that own it. In the end the coal development site would be turned over to coal companies at a pretty profit.

"They (the ENCONO people) seem to be goddamn

carpetbaggers," said one West Virginia official. They're going to come in here and steal our coal and dump us with the cost of providing services for the welfare recipients they will ship in to do the labor."

"All's fair in love and war," said the Carey aide. "This is war. If they (other areas of the country) want to protect themselves, I suggest that they form their own regional corporations."

The Sky's The Limit

Rohatyn and his co-thinkers feel that the ENCONO scheme and related plans for a national urban development bank have unlimited possibilities — that they can endlessly recycle debt and securities and pump out more debt.

Their "wizardry" is nothing new. Nazi Finance Minister Hjalmar Schacht tried to fund German rearmament through a similar debt recycling swindle, his Mefo Corporation. A front organization "owned" by the five armament producers, the Mefo Corporation, issued bills of credit to the armaments producers and since these bills were commercial bills they were rediscountable at Schacht's Reichsbank. As is the case with ENCONO's Treasury-guaranteed bonds, they add to the national debt.

As in the case of Mefo bills, the austerity imposed to back up the ENCONO investments will produce a total collapse of the economy. Rohatyn's management of the New York City debt through his MAC operation which has left the nation's largest metropolis on the verge of total social collapse shows where Lazard's policies will take the entire northeast.

Still Time To Stop It

Rohatyn is not concerned about the obvious unconstitutionality of his scheme.

"People are always talking about Felix's ideas being a little un-American or unconstitutional," said a Rohatyn-operative working out of Gov. Carey's Albany office. "Maybe they are, but maybe we ought to stretch the Constitution a little so that we can get them under it."

Rohatyn's organizers are attempting to allay people's fears of his "behemoth" by citing parts of the legislation that indicate that it can always be repealed by the Federal government if it proves unworkable. We remind people that the March, 1933 Enabling Act that gave Hitler dictatorial powers had provision that it too could be repealed at any time by the Reichstag. It never was.

— L. Wolfe