

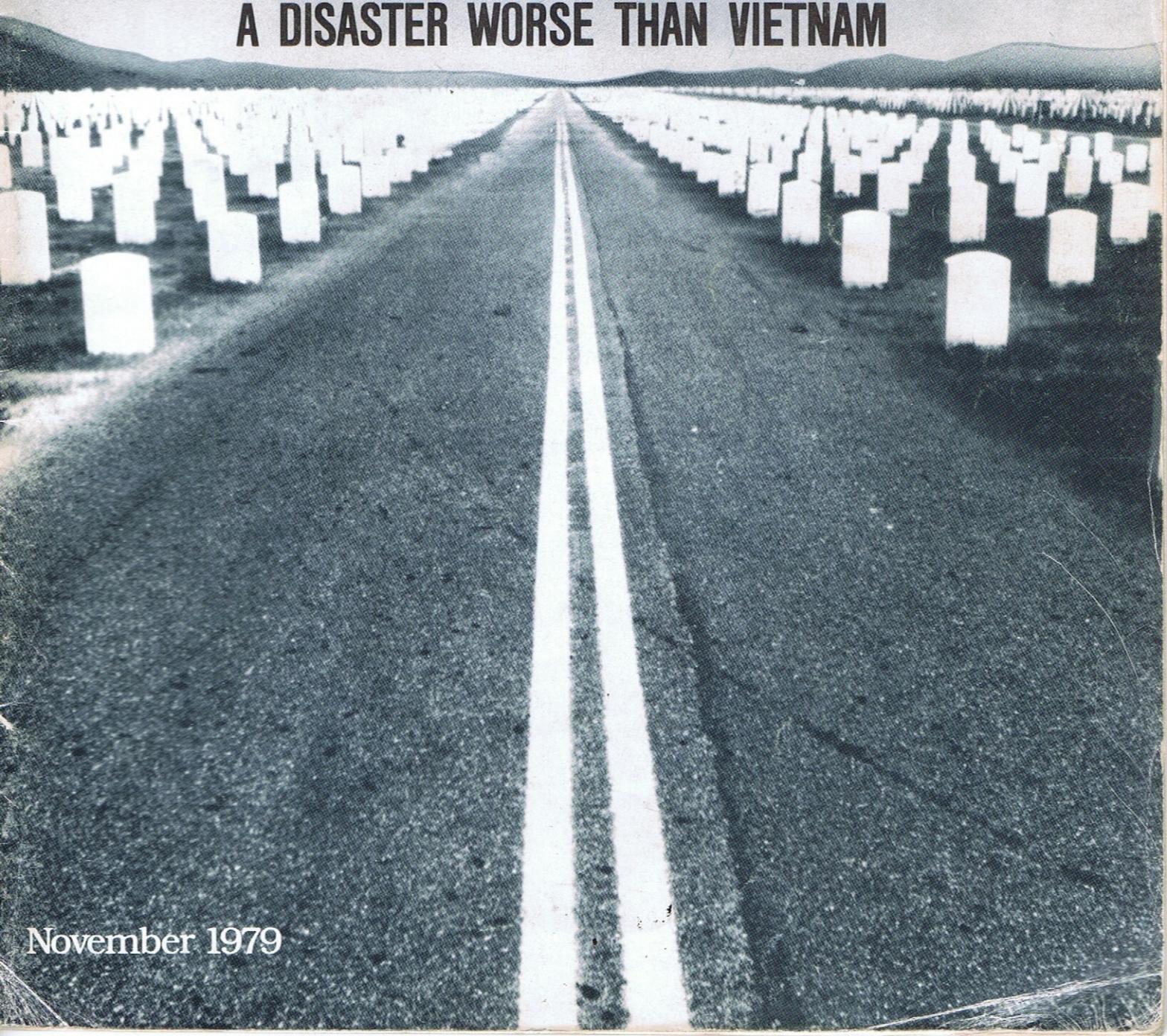
# EIR

EXECUTIVE INTELLIGENCE REVIEW

Special Report

# TRUCKING DEREGULATION

## A DISASTER WORSE THAN VIETNAM



November 1979

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### Special Report

# TRUCKING DEREGULATION

## A DISASTER WORSE THAN VIETNAM

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This Executive Intelligence Review Special Report was commissioned by EIR contributing editor, 1980 Democratic presidential candidate Lyndon H. LaRouche, Jr. It was researched and written by a team led by contributing editor Costas Kalimtis, with David Goldman, Donald Bauer, Jeffrey Steinberg, Marsha Freeman, L. Wolfe, Alice Roth, and Richard Freeman.



*Lyndon H. LaRouche, Jr.*

parading under the misleading semantics of “free enterprise.” This is literally un-American; it represents a fresh effort to introduce into the United States the same Adam Smith doctrine which the American Revolution was fought to free us from. It was the “American System”—as it came to be named during the nineteenth century—which made us a world power, and produced our formerly advantageous standard of living and culture. It was freeing ourselves from the British System of Adam Smith et al. which supplied us with the foundations of our national greatness. Now, British intelligence-controlled conduits, such as the Heritage Foundation, are engaged in vigorous efforts to convince us we must wreck the American System, so that we might be more like the bankrupt, collapsing economy of Great Britain.

The British System of Adam Smith et al. is a creation of British, feudal-minded aristocrats, in league with the rentier-minded bankers of the City of London. Their objective is and has been to weaken the political and economic power of agriculture and industry, driving industrial and agricultural revenues to lower levels, to the advantage of parasitical rentier interests of landlords and bankers. The most savage competition among firms is viewed as the means for keeping the farmer and industrialist relatively powerless, and more dependent on loan-capital controlled by cartels of financial power centered in London and London’s Manhattan satellites.

The American System views banking differently. In the American System, we employ credit, fiscal and other incentives to encourage high rates of savings, and

fostering investment and reinvestment of retained earnings in profitable firms, encouraging the profitability of those employers who use improved technologies as the basis for advancing the productive power of the individual average employee. We believe there is a fair level of profitability for industries, such as trucking, so that those industries will be able to make the kinds of improvements in efficiency and service which have in fact been accomplished by American trucking firms—giving us the most efficient trucking and warehousing system in the world. Cut-throat competition among trucking firms does not mean savings to the economy as a whole. It means poorer service, and rising costs per ton-mile over the medium-term of “deregulation.” It means bigger inventories in the economy as a whole, slower turnover in the entire process of production, large capital costs for each item produced. It means some greedy, rentier financial interest becomes rich, at the expense of the American people and of farmers and manufacturing firms.

“Fair profits” for farmers, manufacturers, construction firms, transportation, mining, and so forth benefit our economy as a whole. They promote investment—improvements in productivity; they promote increases in employment in industries, make better wages possible. That is the American System. Let us stick to it, sending back to Britain the alien doctrines which have made the island of Great Britain the mass of industrial wreckage and misery that nation has become today.

Lyndon H. LaRouche, Jr.  
Nov. 14, 1979

# INTRODUCTION

This summer, the deregulation issue in the trucking industry—previously remote from public attention—exploded into the headlines. Striking “independent truckers” whose main demand is deregulation of trucking, shut down whole sections of the country’s transport system. Hundreds of snipers positioned along the highways—deployed by self-styled Fieldmarshal Michael Parkhurst—attempted to terrorize union drivers into stopping work. Strategic blockage of oil delivery terminals created a gasoline emergency in New Jersey, Connecticut, Massachusetts, Rhode Island, Minnesota, Michigan and California. Major amounts of the nation’s food supply, including the just-ripened California and Florida harvests, rotted undelivered, while several major cities were down to a three-day food supply.

On the morning of June 21, President Carter and Senator Edward Kennedy, Parkhurst’s deregulation ally, met before television cameras in the rose garden on the White House lawn. Carter and Kennedy announced that they had struck a compromise on deregulation of the trucking industry, and would jointly attempt to force it through Congress. Across the nation’s highways, the sniper fire escalated.

Is it really possible that a thug like Parkhurst and his stormtrooper army could hold the United States to ransom?

The TV cameras might show it that way. But Parkhurst is a puppet. Kennedy, the man who gave the keynote address to Parkhurst’s Overdrive Conference last year, is also a puppet. The men behind deregulation are the top British-New York banking houses and the “Seven Sisters” cartel of multinational oil companies. They are the forces who control thug Parkhurst and Senator Edward Kennedy. They are the same forces who have held the United States to ransom through the phony oil shortage.

Their intention is to take over the United States. Deregulation is one of their chief means of accomplishing this.

Both in terms of money and lives, deregulation—which amounts to turning the “independent” truckers loose on the nation’s transport system—will cost this nation more than the Vietnam war did.

The transportation industry—the nation’s circulatory system—will fall back into the chaos of the 1930s, when organized crime ran trucking. The men who want to do this, from Parkhurst and Kennedy on up, *are* the organized criminals.

To the men at the top—the Anglo-American financial interests sitting on the New York Council of Foreign Relations—deregulation is a mere tactic in a larger strategy. It is only through depression-levels of austerity against the American population and the dismantling of America’s giant industrial capacity, that the forces represented on the Council on Foreign Relations can maintain the value of their bankrupt monetary system and their grip on the United States government. In the spring of this year, the Council published a 30-volume report, entitled “Project 1980s” that makes public its plans. The strategic threat posed to these forces by the combined potential of the new European Monetary System, formulated by France’s President Giscard d’Estaing and West Germany’s Chancellor Helmut Schmidt, and the presidential campaign and intellectual influence of Lyndon LaRouche can only be met by destroying the world’s economy itself, what the Council calls “controlled disintegration.” “A degree of controlled disintegration in the world economy is a legitimate objective for the 1980s and may be the most realistic one for a moderate international economic order”—so says the Council on Foreign Relations in its “Project 1980s” report.

What this means for the United States and the industrial nations is the destruction of their industrial economies and their work force; what this means for the Third World is mass starvation and genocide.

The men who drafted this report have occupied the country’s highest positions of power in the Carter Administration: Secretary of State Cyrus Vance, who acted as chairman of the CFR’s “Working Group on Nuclear Weapons and Other Weapons of Mass Destruction”; Treasury Secretary W. Michael Blumenthal, head of the Central Coordinating Group for Project 1980s; National Security Chief Zbigniew Brzezinski, member of the Project’s governing body, the Committee on Studies.

The gentlemen at the CFR do not hesitate to use any rationale to implement their policies. In the case of deregulation, “free enterprise” is the watchword. In this report, we take the arguments of the “free enterprisers” apart one by one, and show both who is behind them, and why.

At the outset, we emphasize that there is one fast way to find out who the criminals are who want to take away your livelihood and your constitutional form of government. Look at the political forces who have attempted to destroy the International Brotherhood of Teamsters. The Teamsters have been more than the most powerful force in the labor movement—they have been a political force for progress over the past 30 years. They—more than the trucking companies or the Interstate Commerce Commission—built the American trucking industry to be the best in the world. That is why Kennedy and his masters have targeted the Teamsters for so long. Anyone who wants to destroy the economy of the United States must bust the Teamsters first.



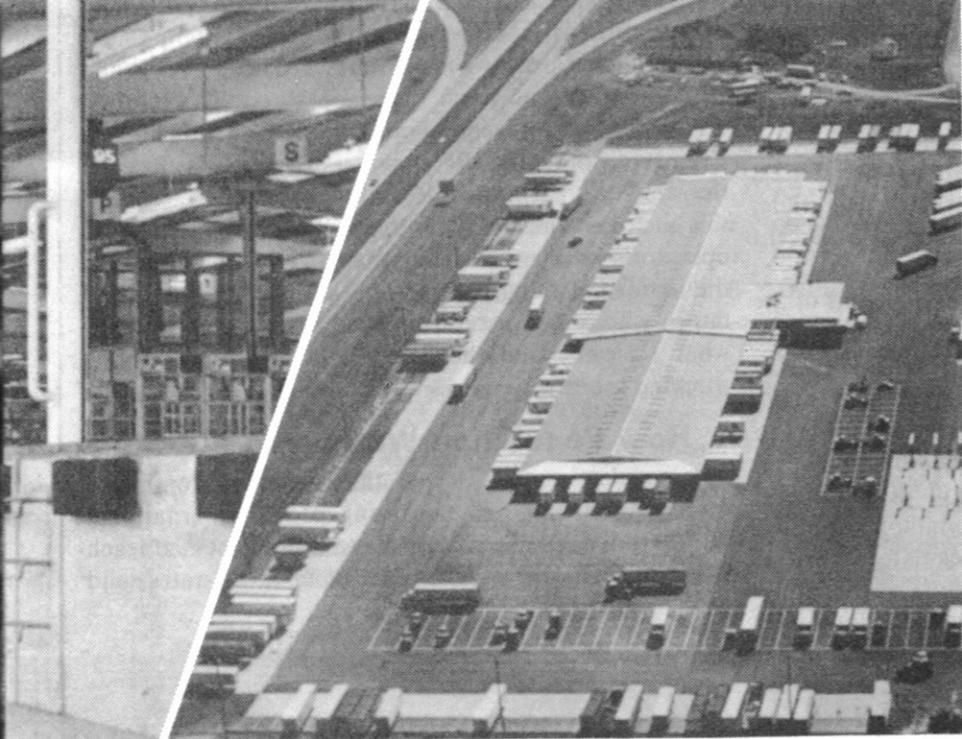
# HOW THE TRUCKING INDUSTRY WORKS

The trucking industry is an American success story. United States motor transport is the most efficient in the world. *Our trucking industry is able to move a shipment 600 miles door-to-door in a day and a half.* This road transport record is unmatched by any other nation. The last comprehensive survey of plant-level shippers, conducted by the U.S. Department of Transportation in 1973-74, found that 98 percent of these U.S. industrial customers were satisfied with their trucking service.

Senator Kennedy (and President Carter) propose to deregulate the industry, adopting as their model the "free enterprise" trucking industry in Great Britain. *In Great Britain, the trucking industry moves a median shipment 63 miles—in four days.* If Kennedy were honest, that single fact would make him drop his deregulation blueprints like a hot potato.

Our trucking industry works so well because it is a good example of what made this country the world's foremost economic powerhouse: high technology, high wages, smart workers, and high productivity—the American System. The Hollywood image of the trucking industry—the lone cowboy of the open road, his bandanna wrapped around his forehead, defying "the big bosses" to leap into his rig and haul a full load coast-to-coast—this is pure twaddle.

Of course the skill and safety of the individual driver is absolutely vital to U.S. motor transport. (We can all be grateful he has little in common with the "CB cowboy" crashing his rig through police barricades on the silver screen.) But what gives the U.S. truckdriver



*The U.S. trucking industry is an American success story. American trucks can move goods faster and more cheaply than any other nation in the world—on the average of about one-and-a-half days door-to-door. That is because at least half the industry's operation depends on its ability to break down less than full load shipment to be distributed to many different destinations. That means sophisticated, often computerized, terminal facilities like the ones shown here.*

the edge over his British counterpart is that he is educated for, and organized into, a technologically advanced transport and distribution system.

At least half the trucking industry's operation depends on its ability to break down less than full load (LTL) shipments to be distributed to many different destinations, not just in other trucks, but by rail, sea, air, etc. This means sophisticated, often computerized, terminal facilities are required. It means skilled warehousemen, package inspectors, maintenance personnel, rate specialists, as well as skilled drivers.

All this, in turn, requires a sufficient level of capital investment to sustain and develop this all-important infrastructure and to upgrade and replace over-the-road equipment. The profitability of the industry depends on rate and route structures maximizing benefits to the trucking industry as a whole—and to the overall U.S. transport grid. Even more important, profitability necessitates high wages and the constantly increasing education and skill levels of a well-organized workforce, which understands the importance of its role in the U.S. economy.

We arrived at this assumption of delivery time of 1½ days by surveying a range of trucking companies from the West to East coasts and the Midwest and southeast. We asked these companies how long—including on the road time, package breakdown at terminals, etc.—it takes them to carry out an average truck delivery of 600 miles, the average distance for long-hauls provided by the Dept. of Transportation.

Their responses indicated that it would take, on average, 1½ days. Less than half this time is "road time"—time spent travelling on highways.

Historically, the two institutions most responsible for regulating the trucking industry to ensure that these functions are carried out have been the U.S. government's Interstate Commerce Commission (ICC) and the International Brotherhood of Teamsters (IBT). It is the ICC and the Teamsters union which Kennedy and the deregulators propose to do away with in their scheme.

Kennedy and his friends argue that (1) trucking costs are too high; (2) costs can be lowered by deregulation. Both statements are lies. The first is disposed of by pointing out that over the last decade or so, freight costs have actually fallen relative to everything else, despite the huge increases in gasoline prices and other costs. Exposing the second lie fully requires us to shift our attention from the nominal price of shipping costs, the rate structure, to the overall cost to the economy.

If the ICC and the Teamsters' Master Freight Contract are put out of business, and the industry opened up to a "free enterprise" free for all, there will be a scramble for the most profitable routes, while many localities will lose service entirely. Overall rates will rise, though on highly profitable runs they may drop a little temporarily. Capital investment in plant and equipment will collapse. Safety will be among the first casualties. And wage levels will be subject to a "cost-cutting" competition which will rapidly reduce the workforce to a desperate, unskilled rabble, scrambling for survival.

## Who Are The Truckers

To understand why trucking deregulation is “worse than Vietnam,” let’s take a closer look at how the industry actually works.

Trucking is one of America’s largest enterprises; only the steel industry is of comparable magnitude. Trucking revenues, \$110 billion, amount to 6 percent of the Gross National Product.

There are basically three component divisions of the industry.

First, and most important, are the 17,000 *regulated carriers* engaged in interstate commerce, who range from giant companies with fleets of hundreds of rigs to small “Mom and Pop” outfits with handfuls of trucks. The regulated carriers account for about 40 percent of the total freight hauled and about \$36 billion in annual revenues. It is this category, the regulated carriers, which contains the most advanced sectors of the industry, the firms that can handle speedy breakdown and delivery of LTL shipments and that interface shipping best with other truck, air, rail, and sea transport networks. The regulated carrier sector is heavily unionized, with firms organized by the International Brotherhood of Teamsters, which organizes both over the road employees and distributive and terminal workers. In many specialized terminals, however, workers are organized on the Teamster model by other unions; for example steel transshipment points may be organized by the United Steel Workers.

Not all of the trucking industry is regulated. *Private carriers*, trucking fleets owned by large manufacturing or distribution firms carrying their companies’ own goods, are exempt from regulation, but are allowed to hire out their trucks to carry other companies’ goods only on a long term contractual basis. Truckers carrying non-processed fruits, vegetables and meats are unregulated. It is important to note, however, that the admittedly large private carrier section of the industry mostly follows the lead of the regulated carriers, with wages, working conditions, technology, and overall industry practices set by unionized industry standards.

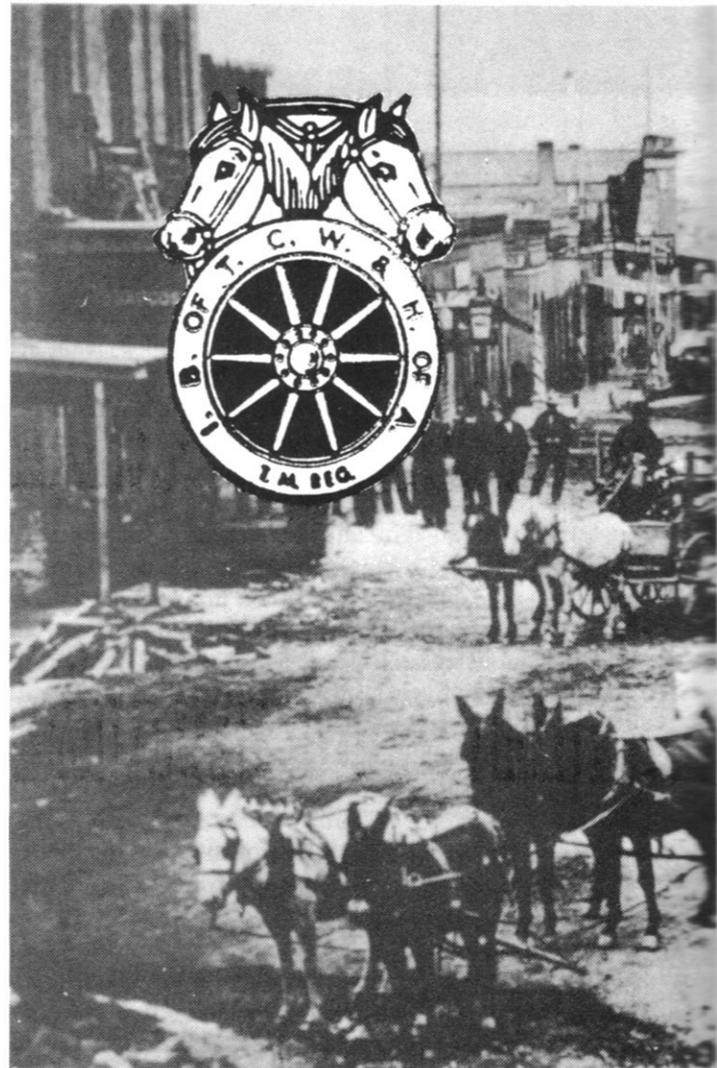
Third come the *owner-operator* truckers, about 100,000 of them, who own their own rigs and account for somewhat more than 25 percent of intercity truck transportation, yet take in only some \$4-6 billion a year in revenues. If anyone fits the description of Hollywood’s “CB cowboy,” it is the owner-operator, though the movie image of the devil-may-care “independent trucker” is only a cruel parody of the owner-operator’s actual existence. In reality he is anything but independent—certainly not independent of the loan shark, the pep pill, the 18-hour workday, mafia hoodlums, fatal accidents, or the bankruptcy court. That is because the

owner-operator trucking sector as a whole is economically inefficient, a throwback to the pre-IBT, ICC 1930s before the industry was organized.

It is true that some owner-operators hire out to larger carriers and earn approximately as much as a Teamster; some are IBT members themselves. But on the whole, the grim profile outlined above is typical of this sector of the industry. We will explain the owner-operator’s problem in detail later on. For the moment, the important thing to keep in mind is this: these poor dupes who shoot up the highways are the model for what Kennedy and the deregulators want the whole trucking industry to become.

## How Regulation Works: the ICC

The regulatory activities of the Interstate Commerce Commission and the organizing of the International Brotherhood of Teamsters have complemented each other. The ICC has set stable, competitive rates, and



enforced a minimum quality of service. The Teamsters have pushed the industry to become more productive and therefore more profitable. Neither would have worked without the other.

The U.S. Constitution gives Congress the job of regulating interstate commerce. In some cases, Congress has done its job well, and in some cases badly. Railroads, whose regulation dates back to the Interstate Commerce Act of the 1890s, are the extreme case of failure. But the Motor Carrier Act of 1935, which extended the powers of the Interstate Commerce Commission to include trucking, has worked well.

The ICC sets the following basic standards for the regulated carriers.

**1. Companies must obtain an ICC "route certificate" to carry a specific commodity over a specific route.** That is both a privilege and an obligation on the part of the carrier. Routes include many communities outside metropolitan areas which would have difficulty obtaining

service unless the ICC mandated it. Two-thirds of all communities are served exclusively by truck transport. The route certificate ensures regular, dependable services for rural communities. Since rural communities spend 22 percent of U.S. personal income, and produce a similar portion of U.S. manufactured goods, this service is vital to the whole economy. In order to haul on the more lucrative metropolitan area routes, a carrier must also agree to service the less lucrative rural routes. Without regulation, service would not exist in many cases, as an American Trucking Association survey showed in 1976.

**2. Rates are standardized for categories of routes and commodities.** Trucking companies set their rates through Rate Bureaus according to region, and, in the case of the specialized carriers, according to commodity, for example steelhauling. The carriers do not set rates themselves; they agree collectively within the Rate Bureaus to tariffs that they believe represent a fair rate of



*The Teamsters have proven to be better capitalists than the trucking carriers. Beginning as the men who carried goods across a young America in mule teams, the Teamsters have worked hard to improve the transport sector as a whole. The Master Freight contract, initiated in 1967, helped to impose order and safety on the industry and guarantee the capacity to invest to increase the industry's productivity.*

return, and submit them to the Interstate Commerce Commission for approval. Since the process involves thousands of routes and tens of thousands of commodities, the rate structure is admittedly complex. But—precisely the opposite of what the deregulators say—collective rate-setting saves time and trouble. Under deregulation, rates for different types of service would change every week or every day—producing tens of millions of rate changes per year. Merely keeping track of such changes would tax the efficiency of the entire industry.

The Interstate Commerce Commission is one of the most accessible of all federal agencies. Rate hearings are open for comment by the consumers of trucking services, the major shippers. Approved rates are published by the Rate Bureaus for public inspection.

Under Senator Kennedy's plan, Congress would eliminate route authorization and the Rate Bureaus. Free access to all routes would do two things immediately. First, since all carriers would have free access to all routes, service to more out of the way and less profitable routes would disappear. Instead of obtaining a route certificate covering an entire route, including both the more heavily travelled and less heavily travelled portions, motor carriers could concentrate their activities on the most profitable sections only. For the two-thirds of American communities who do not have rail service, the effect would be massive economic dislocation, producing a crippling blow to the whole economy. Smaller towns located between two large urban centers, which now must be serviced under ICC regulation even if an entire truck must stop to make a small delivery, would be cut off overnight.

Eliminating the Rate Bureaus, where carriers meet with the Interstate Commerce Commission to agree upon a fair rate of return on different routes and commodities, would permit any carrier, regulated or independent, to change rates at any moment. Combined with the amputation of service resulting from the end of route authorization, the destruction of the rate bureau system would create chaos throughout the industry. Not only would a commercial shipper not know whether a truck would make a delivery to certain locations, he would not know how much to expect to pay for service from day to day.

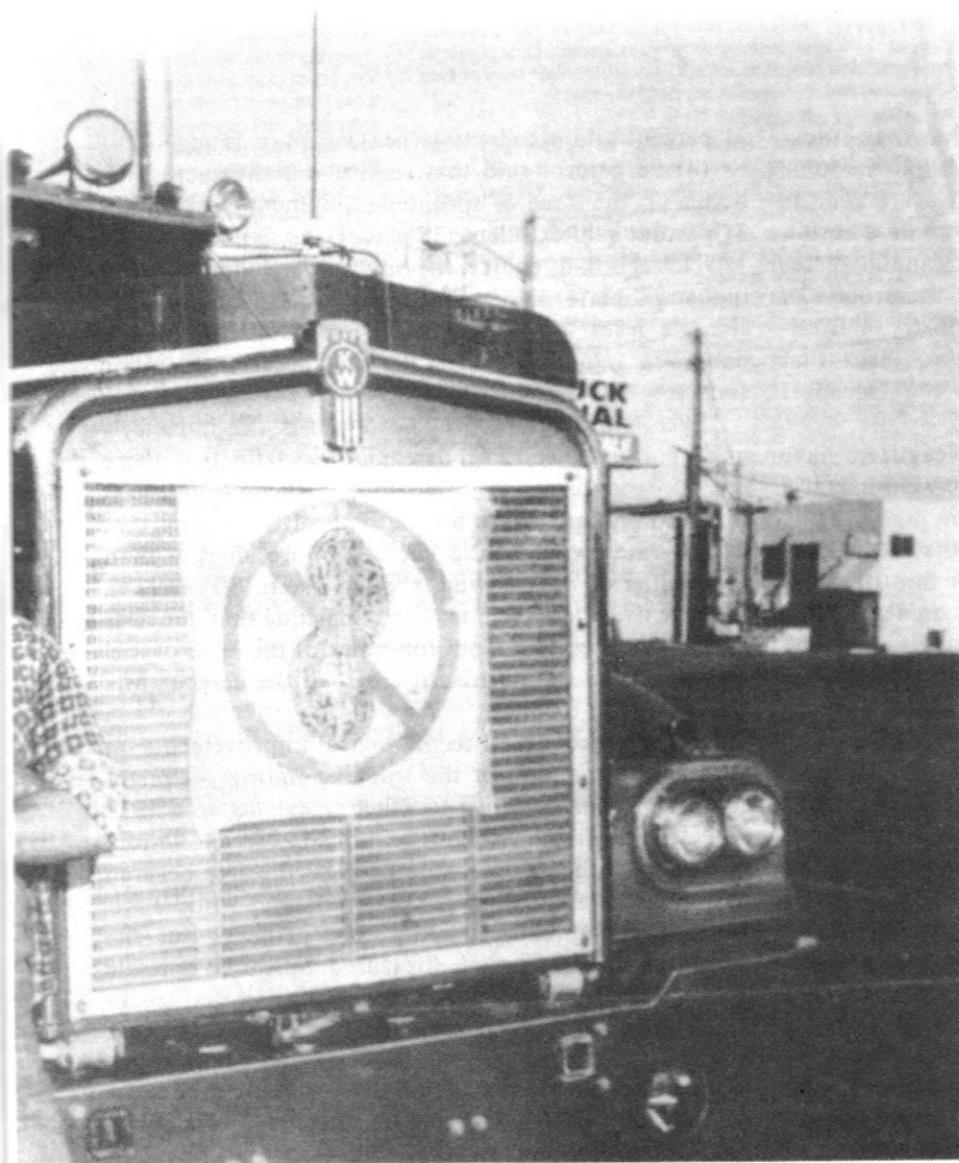
Before we leave the subject of rates, routes, and the ICC, recall again the computerized truck transport terminal, and the high technology and skilled workforce which make it possible. Consider Senator Kennedy's supposedly "high" freight rates. Now consider this: only *half* the expenses of large trucking companies are taken up moving goods from one place to another. The other half goes into the upkeep of the terminals. And 20 percent of all capital investment for these companies



goes into terminal facilities. Scrap the rate bureaus, forget these "nonmoving" expenses, and what have we got?

Yet, the current Interstate Commerce Commission, under the chairmanship of Carter appointee Dan O'Neal, stands committed to deregulation. In recent weeks and months it has taken steps toward achieving this goal without waiting for congressional action on the various pieces of deregulation legislation. This attempt at deregulation by ICC fiat has been challenged in federal court by the trucking industry's group, ACT (Assure Competitive Trucking), which rightfully charges the O'Neal ICC with perverting its congressional mandate. The Commission, says ACT, was mandated to regulate the industry under congressional supervision; it is not within its mandate to "deregulate."

As we go to press, O'Neal backed by the Carter administration is attempting to wipe out any opposition to his proderegulation policies by stacking the ICC with proderegulation commissioners.



*The independent trucker: this "king of the road" drives between 120,000 and 150,000 miles a year; a Teamster averages 75,000. The owner-operator works a 14-18 hour day; the legal limit for truck drivers is 10 hours. Squeezed by high fuel costs and personal debt, two-thirds of the independent truckers, according to an ICC survey, said they carried dope, stolen goods, and other "hot freight."*

## **HOW REGULATION WORKS: THE IBT AND THE MASTER FREIGHT CONTRACT**

By itself, the Interstate Commerce Commission's ability to ensure reliable service is no better than the industry's technological standard. The ICC can only set minimum standards of service and make sure that rates are fair. That is the job Congress asked it to do. This form of regulation does not force the industry to upgrade itself. That job, more than to anyone else, has fallen to the International Brotherhood of Teamsters.

In 1967, 30 years of Teamster organizing culminated in the industry's single most effective regulatory instrument: the Master Freight Contract, covering 400,000 drivers, warehousemen, and related workers. The Master Freight Contract sets a uniform standard of wages and benefits for the entire industry, including sections of the industry that are still not unionized. Approximately 200,000 drivers are covered directly by the

master contract. Another 200,000, mainly drivers who haul specialized commodities, are covered in the contract's riders.

The trucking industry can operate in one of two ways: according to a high-capital-investment, high-wages profile, or a low-capitalization, low-wages profile. The Master Freight Contract compels the entire industry to adopt the methods employed by the industry's best, by establishing the living standard a skilled transport industry workforce requires.

The Master Freight Contract made universal the improvements in the industry that the IBT had fought for since the 1930s. From 1957 to 1967, when the Master Freight Contract was established, the IBT branched out to include warehousemen and other transport industry workers. The Teamsters' organizing drive ran directly parallel to the technological transformation of the industry—the investment in the modern distribution system that now characterizes the best of trucking. The first large-scale utilization of terminals

equipped to break down and transfer less-than-truckload shipments appeared during the 1960s, at the same time the IBT organized the distribution workforce. The basic productivity of the industry soared as a result, providing the economic basis for significant increases in Teamsters' living standards. By 1967, the process of technological transformation of the industry had advanced far enough to enable the IBT to insist that progress become the rule throughout the transport industry.

The International Brotherhood of Teamsters have been better capitalists than the companies. On balance, the trucking industry was more resistant to changing the old ways of doing things than the Teamsters. Teamster history contrasts sharply with that of many AFL-CIO unions, who have resisted management's efforts at modernization. Persuading trucking management to modernize was a tough, prolonged fight. The IBT took out weaker sections of the industry—those who could not afford a strike—and organized them. Teamster negotiating policy gave management sufficient breathing room to make needed investments, delaying wage demands when higher wages would put companies out of business. That is the proverbial "grain of truth" behind the Big Lie about "Teamsters' sweetheart contracts." When the industry made advances in productivity, Teamster policy brought living standards up to higher levels. That is the truth behind the nonsense about "Teamsters' excessive wage demands."

Former IBT President Jimmy Hoffa's perspective was to organize everything that moved—trucking, rail, air transport, maritime trades, and their support industries. Hoffa and the IBT envisioned a single transport union, capable of doing for all transport what they had done for trucking. When the United States achieves a working space shuttle, some enterprising Teamsters will organize it.

### **How Well Does it Work?**

By the standards of quality and price, the trucking industry has given the American public a sound bargain. The last major survey of plant-level industrial shippers, the Department of Transportation study of 1973-1974, showed that 98 percent of those surveyed found service acceptable or better.

(1) 98 percent said that service was satisfactory or better on the criterion of on-time pickup. Of these, 27 percent considered service excellent and 42 percent considered it good.

(2) 98 percent said that service was satisfactory or better on the criterion of on-time delivery, 15 percent called service excellent, 37 percent quite good.

(3) 98 percent said that service was satisfactory or better on the issue of arrivals without loss or damage;

31 percent said excellent, 44 percent quite good.

(4) 98 percent said that service was satisfactory or better on the issue of specified equipment availability; 31 percent said excellent, 35 percent quite good.

This is not, of course, the only survey of the trucking industry's performance, but it is the most comprehensive we have found. The deregulators prefer to cite narrower, regional studies showing occasionally poor service.

Even more impressive, however, is the industry's price performance. The deregulators claim that there are no "economies of scale" in the trucking industry. If that were true, it would be natural to assume that freight rates would have shot up more sharply than most other costs following the big rise in oil prices in 1973. A truck, after all, is only a machine that converts gasoline or diesel fuel into ton-miles. If the price of fuel skyrockets, so should freight costs—if the deregulators are telling the truth.

In fact—because of technological improvements on the distribution side of the trucking industry—freight costs have *fallen* relative to other costs! Between 1971 and 1977, during the peak of oil-price-induced inflation, rate levels in the Middle Atlantic area (the area covered by the Interstate Commerce Commission's Middle Atlantic Rate Bureau) rose by 50.6 percent. But the general rate of inflation, measured by the Wholesale Price Index, rose by 87 percent. Considering that trucking is one of the most energy-dependent industries, that is an outstanding record of cost reduction.

Senator Kennedy claims that transportation accounts for 10 to 20 percent of the retail cost of an item—and that deregulation might account for cost reductions of up to 10 percent. These statements merely betray Kennedy's tendency to ignore the facts. Take the example of shoes shipped from factories in Massachusetts to retail stores in the New York area. Lots of shoes are shipped in less-than-truckload shipments, according to Rate Bureau officials, to distribution terminals in the New York area, where the shipments are broken down for short-haul shipment to stores throughout the greater metropolitan area of New York City. Most of the cost of transport of a pair of shoes is *not* the long haul from New England, but the re-distribution process in the area of destination.

There is no magic to the trucking industry's formula for holding down costs. By reducing the cost of distribution at terminals—through computer facilities, for example, which track every item in a shipment that contains several different items—the industry has reduced the cost of the most difficult part of the transport process, even while the long-haul portion of the process has become much more expensive. The fact that trucking costs have risen roughly half as fast as the overall

inflation rate shows how important the technological advance in distribution is.

For Senator Kennedy's information, the cost of moving that pair of shoes from a New England factory to a retail store at a shopping mall in suburban New Jersey is about 17 cents on a \$30 purchase, or about one half of one percent. The cost of moving a can of Campbell's soup from the Campbell factory in Camden, New Jersey, to a retail store in Maryland, is about 1 cent, or about 3 percent of the can's retail cost.

### **The Owner-Operator Nightmare: Kennedy's Dereg Model**

The owner-operator phenomenon has become a national disaster. Yet Kennedy & Co. propose this unregulated sector as an example for regulated, unionized trucking.

The "independent trucker" boom was largely a product of the final collapse of American railroads, which accelerated in the 1960s and became obvious to the whole world with the 1970 Penn Central bankruptcy. Disaster for the railroads was seemingly an open door for the owner-operator truckers, whose lack of capital, terminal facilities, and complex division of labor renders them incapable of doing much besides scavenging for long haul, single-destination, full truckload business which is done much more efficiently by rail transport. Given independents' poor safety record, it is accomplished more efficiently by regulated truckers as well.

Whatever the individual independent trucker imagines he is doing, in reality he is part of a process which is replacing 20th-century technology with the technology of the mule team.

The typical owner-operator entered the business in the late 1960s or early 1970s, investing \$25,000-\$60,000 in his own rig and gambling that, with a lot of savings and borrowings to get his start, he could still make more "running my own show" than by working for wages. He lost the gamble with the oil companies' 400 percent price hike in 1973-1974, and he has been losing it more bitterly ever since.

To make ends meet, the average owner-operator drives between 120,000 and 150,000 miles a year. A unionized Teamster averages 75,000. The owner-operator works a 14-18 hour day; the legal limit for truck-drivers is 10 hours.

To keep himself going past the point of exhaustion, the owner operator regularly uses amphetamines ("speed") or other stimulants. It is a medical fact that repeated, steady use of amphetamines leads to increased dosage, dependency, physiological breakdown, clinical paranoia, and hallucinations.

The owner operator receives four times as many

moving traffic violations as a unionized Teamster. He is involved in almost four times as many accidents. It isn't really surprising.

Since he operates relatively close to the edge of bankruptcy, it isn't surprising either that the owner-operator is frequently in debt to loan sharks; even "normal" 12 percent interest rates these days can prove a heavy burden. So the "independent" carries hot freight—stolen or illegally transported or manufactured goods—and gets mixed up in organized crime. Drugs are a big part of it.

We estimate that owner-operators earn at least \$2 billion a year through illegal business—between  $\frac{1}{3}$  and  $\frac{1}{4}$  of their total earnings. We may be conservative. Two-thirds of the independent truckers who responded to an Interstate Commerce Commission survey last year said they carried hot freight.

The owner-operator does get a small percentage of ICC regulated business. Even here he gets the short end of the stick. Twenty-five percent of owner-operator working time is spent contracting for ICC carriers; to provide about 10 percent of their haulage. Owner operators are usually restricted to hauling specific commodities which do not require the distribution breakdown of the less than total load shipments. He takes the least profitable, marginal area of the large carrier's business. A big fully integrated carrier can compensate for higher gas prices and other over-the-road energy costs by introducing more efficiency in distribution. The owner operator can only work longer hours, move more hot freight, take more speed.

The "independent's" desperation makes him an easy mark for the agents, like Overdrive's Mike Parkhurst, anxious to foment anarchist "strikes" and violence and "bring the country to its knees," as the CIA's "independent truckers' strike" helped to replace the Allende government in Chile with the Pinochet military dictatorship in 1973.

Kennedy and the deregulators carry around a great truckload of "econometric studies" which "prove with facts and figures" that deregulation will cheapen trucking costs. Forget them. They are all based on two assumptions: (1) "free competition"—meaning that the rate and route setting authority of the ICC is eliminated, so that any carrier, regardless of efficiency or safety record, has access to any route and the right to haul any commodity; (2) "there are no economies of scale in trucking"—meaning that the "little guy with a truck" can get the job done as well as an integrated, unionized high-technology transport network.

Take another look at "the little guy," the owner-operator, with his unpayable debt, his pill bottle, his shady deals. The only thing worse than being him is having to depend on him.

# II WHAT WILL DEREGULATION COST?



Below, we will detail what British System deregulation will cost the American economy—both the trucking industry worker and the consumer—through:

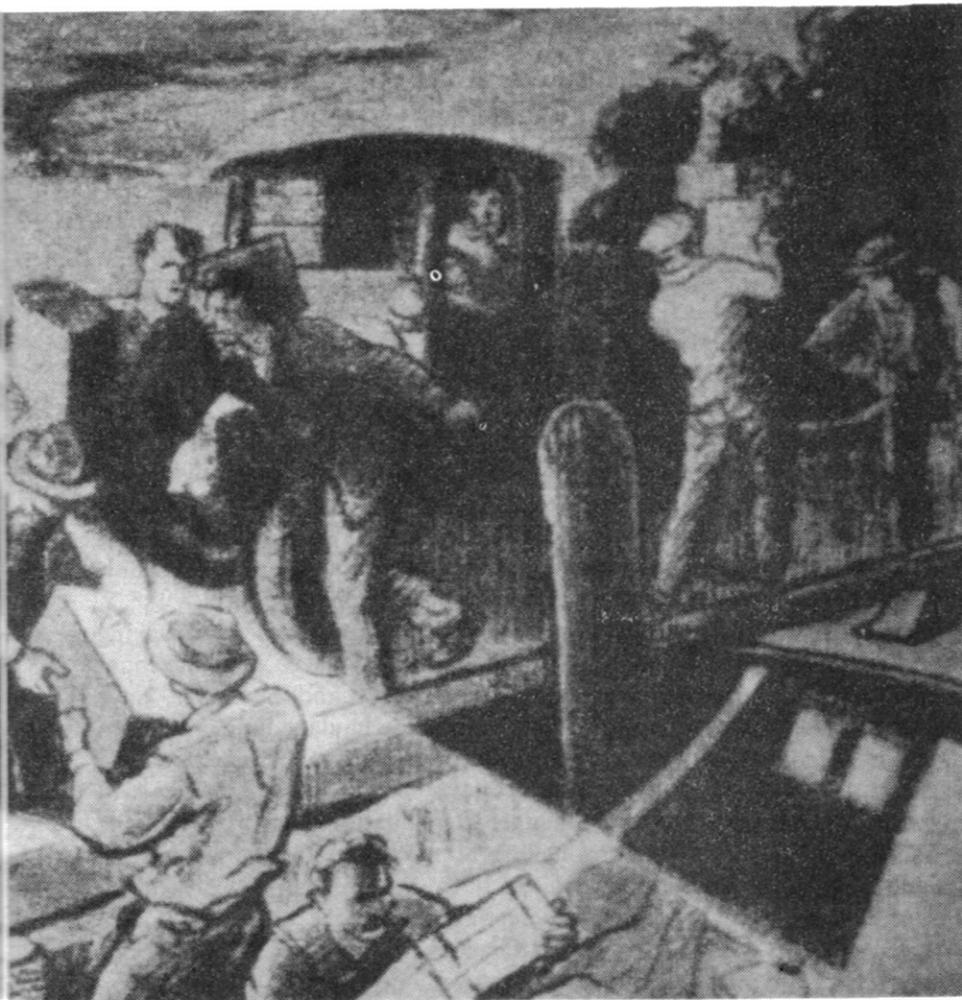
- 1) costly inefficiency—\$7.2 billion;
- 2) reduction of service to rural communities—\$4.4 billion;
- 3) cuts in wage scales of unionized Teamsters—\$5.1 billion;
- 4) higher insurance costs due to higher accident rates—\$5.5 billion

**These costs of deregulation will run to close to \$20 billion per year, or nearly \$100 billion over the next five years.** These are charges against the economy's ability to grow, large enough to cause economic disaster.

Our calculations are based upon a total deregulation of the trucking industry. Regardless of whether individuals like Sen. Kennedy or the Interstate Commerce Commission's Dan O'Neal mask their intentions by talking of "phased deregulation" or "partial deregulation," they have otherwise made clear that total deregulation is their ultimate objective.

There are two *primary* effects deregulation will provoke. One is gigantic, but calculable: the reduction of the overall productivity of the American economy. The other is perhaps even more gigantic, and beyond the range of calculation: the growth of the illegal narcotics traffic.

**What it boils down to is handing the trucking industry back to organized crime**, where it was in the 1930s, before the ICC and the Teamsters gave it back to the public. As noted earlier, the independents cannot make a living without consuming and hauling drugs. The volume of illegal goods traded in the United States is estimated at well over \$250 billion a year. That includes \$100 billion of illegal narcotics. Assume that the independents haul \$100 billion worth of such illegal goods per year (actually, they haul virtually all of it). Then assume that the trucker takes 2 percent of the value of such goods. The best regulated carriers take about 1 percent of the value of the legal freight they deliver; 2 percent is close to the going rate for hot goods. That means that the independents take about \$2 billion per year in payoffs for handling illegal goods. Estimates of



*Deregulation would hand the trucking industry back to the illegitimate economy and the chaos of the Prohibition era, when trucking was the main means of transport of bootlegged whiskey.*

the independents' legitimate income range from \$4 billion to \$6 billion. Handing the pick of the routes to this element represents a takeover of the legitimate economy by the illegal economy, including the drug traffic.

How much does Senator Kennedy know about this? The gentleman from Massachusetts took dope money during his last Senate campaign, in the form of a contribution from Joseph Linsey, Meyer Lansky's chief business partner in the New England area. Among the things Kennedy wants to deregulate is the marijuana traffic; he is one of the Senate's most vociferous advocates of marijuana "decriminalization."

What is the economic damage of the destruction of the minds of half the youngsters—the proportion of American youth who use illegal drugs—in this country? How much does half a generation earn during its productive lifetime? Turning the transportation industry over to Dope, Inc., is a big step in a hellish path that will cost the United States tens of millions of lives and tens of trillions of dollars. The numbers are shattering, beyond comprehension.

However, there are costs we can calculate, which are horrifying enough in their own right.

## **DECREASE IN PRODUCTIVITY— \$7.2 BILLION**

There are two things wrong with the argument for deregulation.

The first is that the would-be deregulators lie about *what* the industry is. Second, they lie about *who* the industry is. Every one of them treats the complex, technologically advanced distribution system as if it were mere road haulage. Next, they assume that since the industry is mere road haulage, one competitive unit is the same thing as another.

Having lied, the de-reggers feel confident in saying "that in a free market the quality of service would depend on customer needs and desires, that it would certainly not necessarily be worse than it is now and would probably be better in remote areas, and that

regulation has fostered both monopoly and cost inefficiency." The speaker is Dr. Thomas Gale Moore, high priest of Adam Smith at the Herbert Hoover Institute at Stanford University, the thinktanker whom the dereggers quote most often.

### The British System

Moore is especially shameless about his ideological warp: he explicitly praises Britain's ten-year-old system of trucking deregulation as a model for the United States. That recommendation takes a considerable amount of courage in view of the state of the British economy, the industrial world's basket case of obsolescence. Even so, the best he has to say about British trucking is: "The effect of the 1968 Transport Act on the British trucking industry has not been great. Profits have apparently remained stable ... prices have tended to decline, and service quality has been little affected."

Dr. Moore, so to speak, slit his throat with his own pencil by making such a statement. It is true that overall British trucking rates fell ever-so-slightly after deregulation, relative, of course, to other prices. During the same period, American freight rates—relative to other prices—fell by a staggering 38 percent in the Middle Atlantic rate conference.

Deregulation leads to lower freight costs, Moore asserts—or does it? Another more discerning expert on the trucking industry points out that in the case of Britain, overall rates may have fallen, but for a simple reason: the British trucking industry has pathetically low levels of capital investment. To be precise: full truckload rates fell by 10 percent, while less-than-truckload rates—for the kind of shipment that requires distribution terminals—rose by a staggering 40 percent!

The only reason *overall* rates for motor transport fell in Britain is that the British carriers are generally too backward to handle less than a full truckload. That is an impressive indictment of the British trucking industry, and the British economy in general. A truckload is usually defined as 5 tons of goods, although modern rigs can carry up to four times that amount. In the United States, most freight travels in less-than-truck-load volume—which means a merchant can order a shipment weighing a few hundred pounds and get 24-hour delivery. In Britain, the same merchant or other shipper will wait for days until a full truckload to his area is filled. In Britain, motor carriers make practically no investment in efficient terminal facilities. In the United States, half of large carriers' expenses pay for terminal facilities.

In a 1976 critique of deregulation, the Interstate Commerce Commission's Bureau of Economics calculated what would happen to American trucking rates if

the United States took the British route. The ICC applied a 10 percent rate decrease to the \$13.6 billion in currently regulated truckload deliveries; it then applied a 40 percent rate hike to the \$21.4 billion worth of less-than-truckload shipments. **The result is a net increase of \$7.2 billion, or more than 20 percent!**

In Britain, average delivery time is roughly 96 hours; in regulated (and technologically advanced West Germany), over comparable distances, delivery time is roughly 24 hours, or one-quarter as much. Delivery times in the regulated American industry, adjusted for much greater distances, are in the same range as the far-superior West German performance.

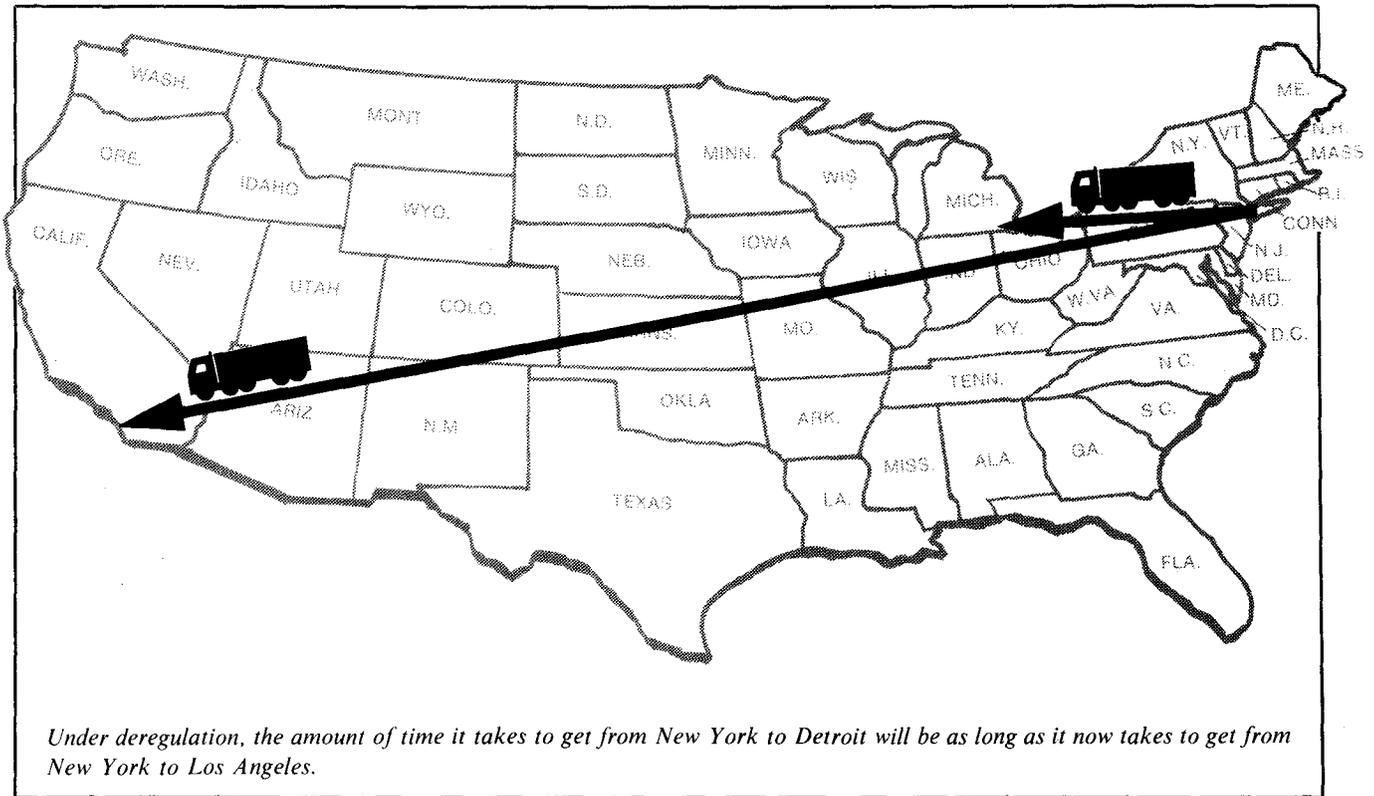
Britain is, of course, a special case, and it is not sufficient to say that deregulation in the United States will have the identical effect. However, all the evidence from the United States shows that deregulation means the elimination of advanced terminal facilities capable of efficiently handling LTL shipments.

This is not merely what the American Trucking Association says will happen. This is what has happened. Two states, New Jersey and Delaware, have been deregulated for intrastate haulage long enough to bear examination. In both sides, not one trucking company will accept less-than-truckload shipments in intrastate commerce. Deregulation has prevented the carriers from making required investments in terminal facilities.

### License for Chaos

Deregulation means giving 100,000 semi-outlaws unrestricted access to every transport route in the country. It is not a matter of whether individual companies stand to gain or lose; possibly, some of the larger carriers might gain at the expense of less efficient rivals. However, the industry as a whole—and its service to the public—would suffer. What industry spokesmen emphasize most often when they speak of deregulation is the danger of pure chaos. After five years of high fuel prices and borderline existence, the independent truckers would leap into now restricted markets like a pack of baboons inviting themselves to a church picnic. Under present conditions, the owner-operator must do business on terms set by the regulated carrier—at least during the daytime. To a great extent, he hires out to major carriers, in return for a percentage of the revenue on a specific haul. Deregulation would turn the tables. The independents would flood the most lucrative routes.

Dr. Daryl Wyckoff of Harvard University painstakingly gathered data on the independent truckers through thousands of questionnaires; his published results provide the most accurate available profile of the independent truckers' operations.



According to Wyckoff, the independent trucker normally pays slightly over 5 percent of his total expenses to a broker who arranges a shipment of unregulated goods, such as agricultural produce. If the independent, who does not have the authority to carry regulated goods, chooses to work on a rural route carrying exempt goods, his fee to the broker is quite low. However, if the independent contracts with a major carrier to carry regulated goods, he typically pays 25 percent and more of his total expenses in return for authorization to haul on a regulated route.

Why would the independent shell out one-quarter of his total expenses to work an ICC-regulated route, when finding exempt goods only costs 5 percent? The reason is that the major intercity routes are far more profitable than rural routes. That is the reason for the ICC's system of route authorization: to operate on the more profitable routes, a carrier must also agree to operate on the less profitable routes. Otherwise, the less profitable routes would get little or no service.

Although the big motor carriers do not report how much of their profits comes from different types of routes—often, the same haul includes both intercity and less-travelled areas—we can obtain a pretty good approximation of what the difference is. Wyckoff estimates that the independent will pay from 20 to 40 percent of his total expenditures to obtain temporary

use of a route certificate, instead of a 5 percent fee for a broker who finds exempt commodities for shipment. This implies that hauls on the major intercity arteries are 20 to 35 percent more profitable.

That range is a good enough estimate for our purposes. What stands out is that the industry's total profit margin was only 16.4 percent in 1977. In other words, the industry's overall profit margin was less than its profit margin on the major intercity routes. Judging from these numbers, the regulated carriers often absorb a loss in hauls to rural routes in order to obtain the privilege of operating on the most profitable routes.

Now it is clear what deregulation would set loose. First of all, the independents would no longer have to pay for route authorization on the most profitable hauls. Since they are now paying over 25 percent when they contract out to regulated carriers, they would cut rates on such routes substantially—although only on full truckload deliveries. The regulated carriers would have no choice but to cut rates in tandem, eliminating the profit margin on the profit-making portion of their business.

### **Decrease in Productivity**

The big question is, what will the destruction of regulated road transport do to the nation's economy? Within

*After trucking deregulation, delivery time in Britain rose from 2.5 days to 4 days for an average shipment, and the effects are visible: British workers waiting in line for the arrival of ordinary consumer goods.*



months, the system of distribution terminals would begin to decay. Within a few years, the industry would be thrown back to the obsolescent condition of its British counterpart; the terminals system would cease to exist. Delivery time would increase, probably several times over.

A good rough measure of the rise in delivery times can be derived from the British example. After deregulation hit Britain, delivery time rose from about 2.5 days to four days for an average shipment. However, Britain's starting point was far inferior to the present-day American system of transport. The longest haul in the British Isles, London to Glasgow, is no farther than Los Angeles to San Francisco. "And if you can't make L.A. to Frisco an overnight run," stated a spokesman for a leading California carrier, "you're out of business." A much better comparison is West Germany's typical 24-hour delivery time and Britain's 96-hour delivery time. As American terminal facilities fold up for lack of maintenance, the delivery time of most goods will rise by a factor of four.

For an economy as advanced as that of the United States, a rise in delivery time from West German levels to British levels means a collapse of productivity. However it is measured—usually as output per manhour—**productivity is a function of time.** The time it takes raw materials to become fabricated materials, or fabricated materials to move through an assembly line, or parts to move from one plant to another, or finished product to move to the wholesaler, or wholesale goods to move to the retailer, is the measure of the nation's productivity. There is not a single product of the U.S. economy that does not depend on fast motor carrier deliveries.

We can measure the increase in the time it takes a single commodity to move through the economic cycle of production and distribution, and see precisely what

effect deregulation—the quadrupling of delivery time for road transport—will have on productivity. Then using the LaRouche economic model, we can determine what effect the deregulation-caused decline in productivity will have on the nation's economy over the next several years.

Average delivery time by motor carrier in the United States is now approximately 1.5 days. Typical manufacturer's inventory time is now roughly 39 days, measured by the inventory-to-sales ratio. Delivery time adds only one-twentieth under the regulated system.

However, if delivery time increased by a factor of four, as we project under deregulation, delivery time would count for almost one-sixth of the length of the production cycle.

Is the projection of a four-fold increase in delivery time an exaggeration? Probably, it is an understatement. In the United States, the average over-the-road haul is about 600 miles. For purposes of calculation, however, we will make every possible concession to our adversary's argument. Our computer simulation of the effects on the economy of deregulation is programmed to calculate only an increase of 1.5 days to 3 days on American trucking's average 600-mile haul. That still constitutes a staggering reduction of the nation's productivity. In terms of the LaRouche economic model, each year each section of the economy which depends on road transport would yield one-sixth less surplus tangible product, that is, tangible output in excess of basic maintenance requirements. Each year, that much less output would be available for new investment, export, or improvement of living standards.

As we will demonstrate below through computer simulation of the economy, we would lose a staggering \$489 billion of production during the eight years following deregulation.

## **REDUCTION OF SERVICE TO RURAL COMMUNITIES — \$4.4 BILLION**

One-fifth of American economic life is conducted outside the major metropolitan centers, according to the U.S. Department of Commerce. When we speak of rural America, we have in mind the world's most productive agriculture, a high proportion of all manufacturing facilities, and sufficient mining capacity to meet most of the raw materials requirements of American industry.

For the citizens of this country who live and work in rural areas, transportation has not been a matter of concern—not, in any case, until the threat of deregulation came along. Two-thirds of America's communities are served exclusively by truck transport. The inventory of goods available to a consumer or parts or materials available to a manufacturer in these communities is on a par with the selection available in urban centers, because of quick and cheap truck transport. Even communities served by rail depend on trucks for most consumer and manufactured goods. Railroads do not usually accept shipments of less than 10,000 pounds—about double a usual "truckload" in the motor carrier industry. Most of these communities' needs are served with less-than-truckload shipments.

Because of the success of regulation—both the formal kind of the ICC and the less formal kind of the International Brotherhood of Teamsters—most Americans do not have to think of what they have to lose in efficient transport. If they visited other countries, such

as Britain, Americans would be shocked by the contrast. There are no waiting lines in front of stores in the United States; no layoffs and short-time work because of parts that have not arrived; no shortages of retail items because of transport bottlenecks; no sudden variations in price depending on the whim of independent truckers. That is what the citizens of most countries, who depend on gypsy bands of independent truckers, put up with. Each shipment must be negotiated at wildly fluctuating prices; transport may be prohibitively expensive, or simply not available. In fact, transport is one of the single greatest barriers on the development of rural economies of the world.

Motor transport created the map of the United States. Henry Ford did not manufacture cars—he manufactured cities. The Model T, strong enough to pull a plough and tough enough to take dirt roads, transformed collections of farming hamlets into new metropolises. Mere agricultural service centers became manufacturing centers. Instead of the backward, ignorant peasantry that has been the great drag on all other nations, America developed an educated, prosperous, forward-looking farming population, just as at home with machines as with livestock. At each turning point in America's scheme of development, transport linking each section of the country together was the means of development itself.

Under deregulation, however, the inestimably great efficiencies of maintaining chains of industrial feeder plants dotted through agricultural areas—the layout of America's industrial heartland in the Midwest—would cease to exist. It is thus not surprising that all the organizations which represent this vital section of



*One fifth of American economic life is conducted outside of metropolitan centers in rural areas and small towns throughout the U.S.A. Many of these areas are without rail service and dependent on trucking, especially for incoming retail goods. Under ICC regulation, these areas are serviced under mandatory routes that are combined with high-profit routes. Under deregulation, however, 70.4 percent of questioned trucking carriers said they "would cut off some or all of the communities they now serve, and would reduce the average number of towns they serve."*

*The vast linking of industrial feeder plants dotted throughout the agricultural area—as in the Midwest—was made possible in part by the trucking industry, beginning with the Model T. Ford's car was strong enough to pull a plough and tough enough to take dirt roads, and transformed collections of farming hamlets into new metropolises.*



America are fighting deregulation as if they were fighting for their lives. The National League of Cities, for example, passed this resolution at its December 1975 annual convention:

Whereas, this nation has the greatest transportation system developed in the history of any nation and,

Whereas, the system now serves most communities with adequate freight service, and

Whereas, deregulation threatens freight service to many small communities across this nation,

Now therefore be it resolved, that the National League of Cities opposes the deregulation of common carriers since it poses a threat to continuance of services to small communities.

There is absolutely no question that regulation would cut off rural America. In 1976, the American Trucking Association asked its members, "If regulated transportation were eliminated, to how many communities do you estimate you might stop service?" Of the respondents, 70.4 percent "would cut off some or all of the communities they now serve, and would reduce the average number of towns they serve from the present

84 to an estimated 58." In addition, 82.4 percent of the respondents said that an "eventual decrease in transportation service, especially to small communities" was "very likely." Finally, 75.1 percent said that "eventual increases in shipping costs to customers" were "very likely."

The distribution of answers to the question concerning elimination of service to small communities was as follows:

No communities eliminated	29.6%
Up to 10% communities eliminated	5.3
10-14% eliminated	21.7
25-49% eliminated	22.1
50-99% eliminated	18.5
All communities eliminated	2.7

That was the view of the trucking industry three years ago. It would be instructive to take the same survey again now, when truckers face a guerrilla war by 100,000 hungry independents. Under conditions of war for the lucrative urban routes, it is likely that the industry would cut off even more small communities than indicated above.

The evidence is so unmistakable in the case of rural communities that the deregulators, backhandedly, concede that there may be problems. One says that "if a subsidy were required to ensure rural service, direct government subsidy would probably be preferable to the haphazard system of rate regulation and restrictive entry." This is a strange proposal from a group of people who claim that their intention is to limit government waste and bureaucracy. The thought of the Department of Transportation attempting to work out schedules of subsidies for tens of thousands of different commodities shipped to the 38,799 American towns without rail service is horrifying from the standpoint of cost-effective administration. The deregulators cannot defend their position.

How would smaller communities function under deregulation? With regular service eliminated, customers would have to contract with independent truckers for special shipments at exorbitant rates. Less-than-truckload shipments would be out of the question, even though less-than-truckload shipments are now the most common form of delivery to small communities on regulated routes. The increase in costs would be enormous, in the range of the 40 percent increase that LTL shipments registered in Great Britain after deregulation.

Assume that the nonmetropolitan communities that account for one-fifth of American economic activity also account for one-fifth of the \$35 billion regulated trucking industry. Their current bill would be \$7 billion. If their costs rose by 40 percent, the increase would be **\$2.8 billion**. Even at this price, service would be less frequent—since the carriers willing to take the business would not conduct less-than-truckload deliveries. Business would have to stockpile more inventories to make up for the infrequency of service. In 1976, the Interstate Commerce Commission estimated that this would cost an additional **\$250 million** (adjusted for economic trends since 1976 the figure would be about **\$400 million**).

The damage is not yet accounted for. According to the Interstate Commerce Commission, 45 percent of the business in small towns is retail trade. More than any other sector, retail depends on frequency of service and on less-than-truckload shipments. At least a portion of the retail trade in small towns would not survive the elimination of regulated deliveries. Again, to bend over backwards in giving our adversaries the benefit of the doubt, we will only assume that 1 percent of the economic activity of nonmetropolitan areas would be lost due to deregulation. One percent of \$400 billion is \$4 billion.

All in all, the cost to rural communities would exceed \$7.2 billion. Part of this cost, the \$2.8 billion cost due to higher freight charges, we have already counted in the \$7.2 billion figure for the total rise in

the nation's freight bill, based on an Interstate Commerce Commission projection of what the British model would mean for the United States.

Combining these two figures (without double counting), **the immediate cost of deregulation so far is \$11.6 billion per year.**

## **REDUCTION OF TEAMSTER WAGES— \$5.1 BILLION**

If outlaw conditions prevail in the trucking industry, union drivers will ultimately have to accept outlaw wages or lose work.

Hourly rates for independent truckers are now one-third to one-half less than the combined wages and benefits paid to union drivers under the Master Freight Contract and the Chicago Conference. Independents and Teamster drivers make roughly the same amount per year. However, the independents drive an extra 25,000 to 75,000 miles per year, carrying hot freight, to get it.

Depression economics means wage cuts. To be rigorous, it would have to be assumed that the Teamsters would take a cut down to the highest point of the independent truckers' scale, or a 25 percent outright reduction.

Senator Kennedy and other zero-growthers would argue that a pay cut represents a *savings* to the industry, while other economists would quibble about the effect of the pay cut on aggregate consumers' demand. But the importance of the trend-setting Teamster pay scale is immediately evident to every American trade unionist. The International Brotherhood of Teamsters has done more than any other union in setting standards for advancing living standards. Not only trade unionists have an interest in preventing the trade union movement from being thrown back forty years. Cut back the system of highly-paid, productive transportation industry employees and the efficiency of the entire system will collapse.

To stay on the conservative side, we will assume a 15 percent pay cut. Currently, the 350,000 Teamster drivers covered by the Master Freight Contract, the 100,000 drivers covered by the Chicago Conference, and 700,000 drivers covered by other agreements, earn about \$34 billion in combined wages and benefits. A 15 percent pay cut would cost these drivers **\$5.1 billion**. This figure does not include the impact on the other 2 million members of the Teamsters. We will leave those implications aside.

**The total annual cost of deregulation is now up to \$16.7 billion.**

## SAFETY AND INSURANCE COSTS— \$.5 BILLION

According to an Interstate Commerce Commission study, 75 percent of all independent truckers drive between 75,000 and 175,000 miles a year. This requires driving between 14 and 18 hours a day. According to another study, 44 percent of the independents regularly exceed the ICC's legal limit of 10 hours driving per day. Frequently, the independents exceed the legal speed limit. Just as frequently, they use drugs. According to data collected by Dr. D. Daryl Wyckoff, most independents use drugs at one time or another, and 40 percent use drugs "occasionally" or "regularly."

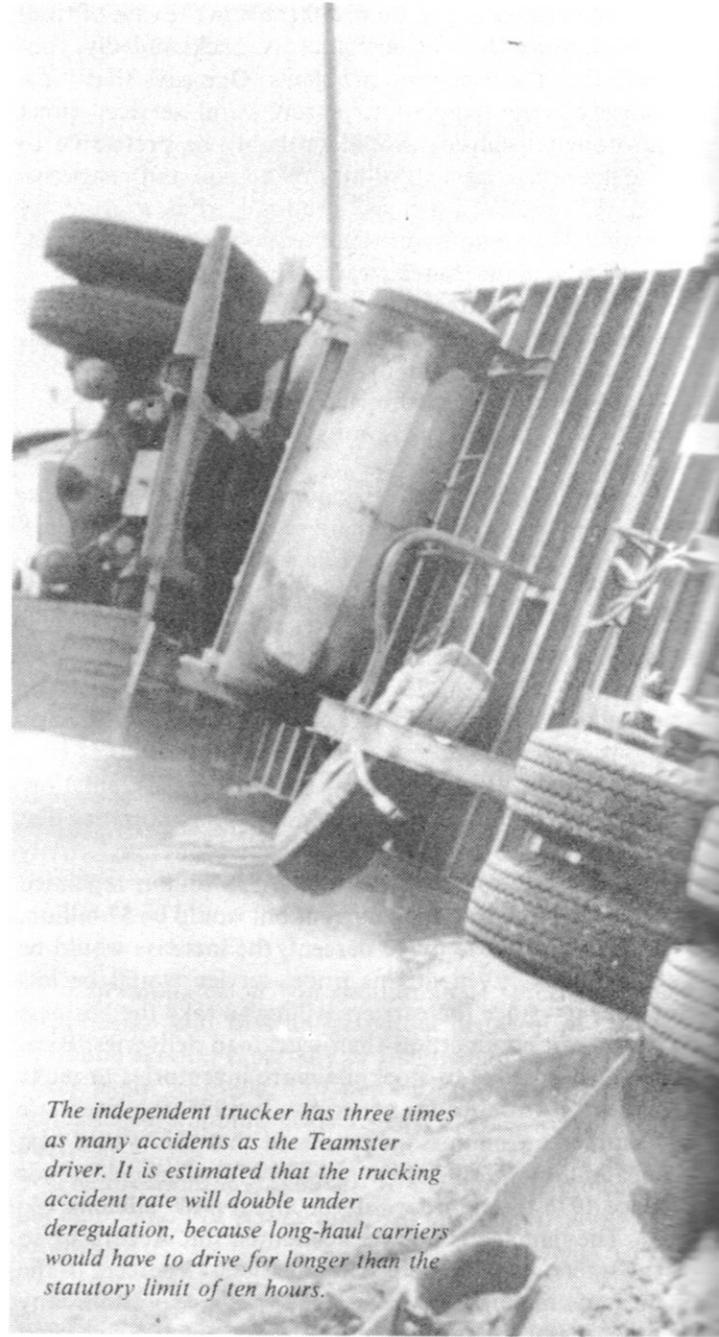
Let us examine what the roads would look like if all trucking safety standards fell back to the lower level.

In 1977, the large regulated carriers (in Class I and II only) drove 14.381 billion highway miles. A great many of these miles were driven by Teamsters, whose safety standard is such that a Teamster driver commits only 0.2 accidents per 100,000 miles. For the most part, this low rate also applies to owner-operators when they lease to common carriers. Many of these owner operators are themselves members of the union and work to Teamster union safety standards when driving for a large firm.

By contrast, the exempt (unregulated) owner-operator commits 0.7 accidents per 100,000 miles, or three and a half times as many as the union driver. Let us assume that under deregulation, owner-operators were to enlarge their share of total (Class I and II) intercity mileage driven to an additional amount equal to one-quarter of the current 14.381 billion miles, or 3.595 billion miles. If the lower safety standards prevalent in the jungle side of the trucking industry replaced the above accident rate, the new number of accidents would be an additional 17,000. Since the Bureau of Motor Carrier Safety publishes statistics on the fatality and cost to property of accidents, we can show what the effect of reducing safety standards would be:

	No. of accidents	New Deaths	New Dam-ages
<b>Under "deregulated" safety standards</b>	17,975	1,636	\$172 million

While figures for miles driven by Class III motor carriers—by far the most numerous—are not available or sketchy beyond use, we can only approximate what additional damage deregulation would effect for this category of motor carriage. Assuming that the number

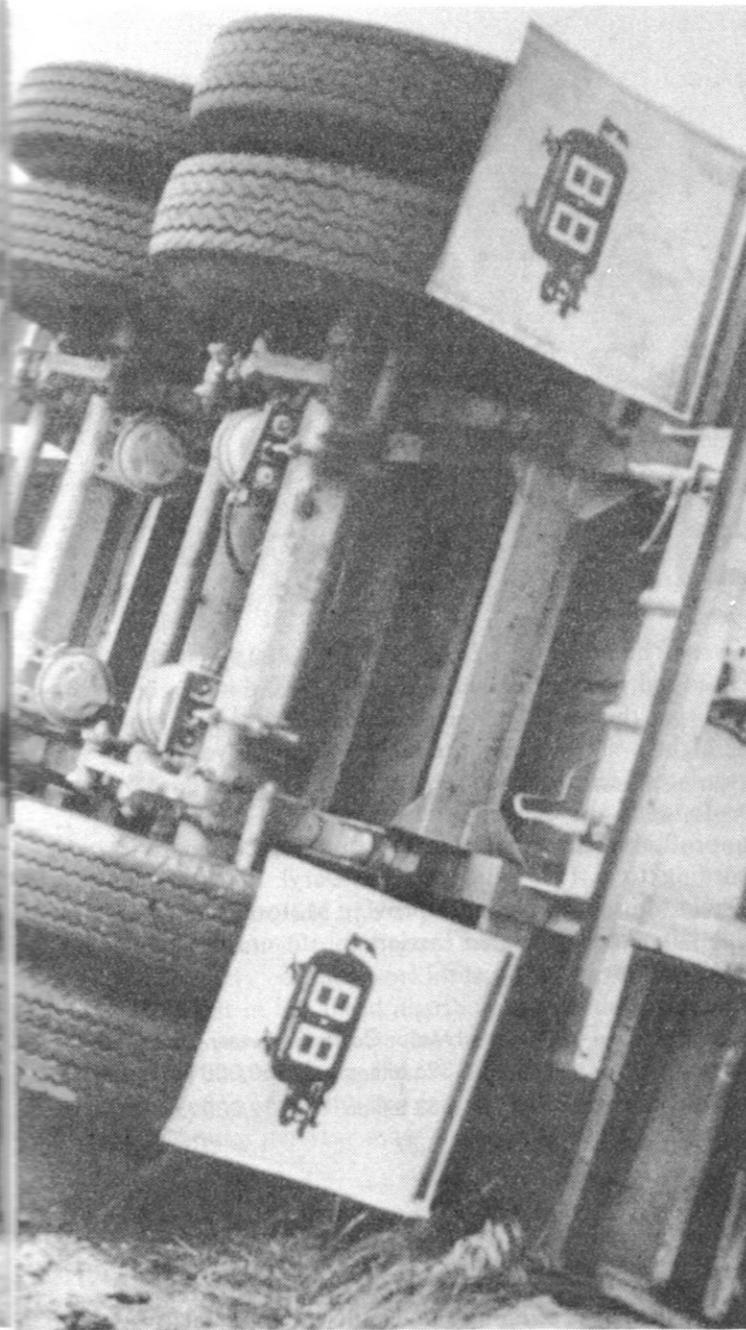


*The independent trucker has three times as many accidents as the Teamster driver. It is estimated that the trucking accident rate will double under deregulation, because long-haul carriers would have to drive for longer than the statutory limit of ten hours.*

of new accidents, new deaths, and new property damage for Class III motor carries would not be less, under deregulation, than Class I and II combined, the total number of new accidents would total above 35,000, with over 3200 new deaths and above \$340 million for the entire motor carriage industry.

Under the present system, according to Department of Transportation statistics, the 1977 yearly number of truck related accidents is 29,936 and the current number of truck-related deaths is 2,983.

Figuring an average \$40,000 settlement for each



fatality, and the monetary cost rises by another \$128 million. If, however, by process of deregulation, the exempt owner-operator were to take over an additional amount of intercity traffic equal to one-half all such mileage and the safety standards all the way down, the annual death toll to America would increase by 6,400. On this basis, over an eight year period, deregulation would produce a casualty rate approximating the rate during the Vietnam War.

Of course, no matter how bad industry working conditions become, Teamster drivers will not resort to

### Use of Pep Pills While Driving

	Independent	Teamster
Never	48.26	86.55
Once or Twice	11.94	10.60
Occasionally	29.35	2.65
Regularly	10.45	0.20

### Use of Narcotics While Driving

Never	91.06	97.91
Once or Twice	2.98	1.22
Occasionally	2.98	1.30
Regularly	2.98	0.26

(Source: Wyckoff, Owner-Operator)

the extreme levels of drug use that promote the far higher accident rate among independents. Using a conservative estimate, we will place the accident level at the lower level of 3,200 per year.

**The annual cost of the side-effects of deregulation is now \$16.7 billion plus \$0.5 billion, or \$17.2 billion.**

Probably, the full effect of deregulation in terms of higher costs and deteriorating safety standards would not take effect immediately. To be on the cautious side, we assume that it would take three years for the section of the trucking industry that represents an unpleasant relic of the 1930s to overwhelm the rest of the industry. In this case, the first-year cost would be \$6 billion; the second year cost would be \$12 billion; the third year cost would be the full \$17 billion, and so on. Over the eight years to 1973, the Vietnam War cost the United States \$125 billion.

Over the next eight years, trucking deregulation would cost, **in terms of side effects only**, \$120 billion. Since additional costs would have to be paid out of industry's earnings, which would otherwise be invested, the actual cost to the economy—as measured by the LaRouche economic model—will be considerably higher. Even adjusted for inflation, the cost of trucking deregulation will far exceed the total cost of the Vietnam War.

# III DEREGULATION AND ACADEMIC FAKERY

The published output of the deregulators represents a modern classic in academic fakery, statistical subterfuge, and outright lying. We will ignore the less significant complaints found in their statements and concentrate on the arguments of seeming importance—and show that they are bunk.

## PROFITS WILL BE ADEQUATE UNDER DEREGULATION

Kennedy's argument that current freight rates are too high does not include an allegation that the ICC-regulated carriers make excessive profits. At their worst, the deregulators state:

The regulated sector of the industry earns profits which compare favorably to the rest of the U.S. economy. (From 1975 testimony by John W. Snow, then Administrator of the National Highway Traffic Safety Administration)

However, they go on to say:

Less information is available about the exempt sector of the industry (predominantly the "independents"—ed.), but it is known that exempt carriers earn sufficient profits to allow them to attract capital, operate good equipment, and provide reliable service. The turnover rate for exempt carriers is comparable to rates for other similar industries.

The argument is that even though the regulated carriers are not doing excessively well, the exempt carriers are not doing especially badly. This is a lie. We have already seen that the "independents," who make

up the bulk of the exempt carriers, 100,000 strong, could not do business without pep pills and hot freight, and that their accident rate is three-and-one-half times as high as the accident rate for unionized drivers in the regulated sector of the industry.

In fact, the exempt operators are also miserably unprofitable compared to the regulated carriers. According to a 1975 study by D. Daryl Wyckoff and David Maister entitled, "Improving Motor Carrier Productivity," the regulated carriers' profit on investment is 42 percent higher:

	Class I Motor Carrier	Owner-Operator
<b>Revenues</b>	\$6.396 billion	\$60,000 (average)
<b>Net investment</b>	\$1.653 billion	\$22,000 (average)
<b>Ratio of dollar revenue to investment</b>	3.87	2.72

The explanation for the large difference is the fact that trucking profitability and efficiency has relatively little to do with mere over-the-road haulage. In fact, owner-operators carry two-and-a-half times as much freight, measured in ton-miles, per dollar of investment, as the regulated carriers:

Carrier	Ton-Miles per Dollar of Investment
<b>Railroads</b>	45.84
<b>Regulated carriers</b>	40.55
<b>Owner-operators</b>	102.27

Source: Maister and Wyckoff, "The Owner Operator's Role in U.S. Freight Transportation."

might appear. For example, private carriers are highly specialized outfits, built to the specifications of a single corporation. They are totally unequipped to handle less-than-truckload freight, because they lack the terminal facilities and skills. Still, the argument *seems* to make some sense.

But filling trucks is not the only—nor the most important—objective. The most important criterion is *speed of delivery*. As demonstrated above, deregulation will fill trucks but at the price of keeping goods waiting at terminals for a week or more. Mere increases in the cost of service do not hurt the economy as much as breakdowns in the speed of delivery.

Once again, compare Britain and West Germany, the deregulated and regulated sectors of European trucking.

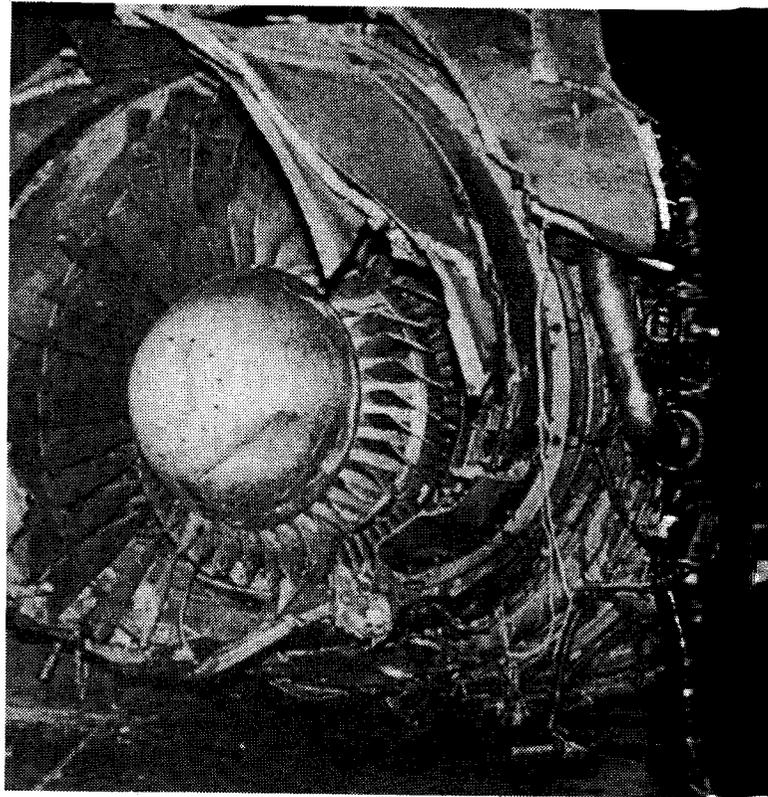
Country	Average Delivery Time	Percent of Empty Haulage
<b>Britain</b>	96 hours	34 percent
<b>West Germany</b>	24 hours	45 percent

Maximum deployment of trucks for speed prevents filling a truck on every portion of its route. Under ICC regulations, a shipper can register a high-powered complaint against any regulated carrier who refuses to dispatch an available truck promptly on a route for which it is responsible, whether or not the truck will come back empty on the backhaul. Even so, ICC-regulated carriers are empty less than 20 percent of the time, an impressive statement of operating efficiency.

The least honest argument the deregulators offer is that trucking rates are lower in Britain than in West Germany. They offer a set of facts that mislead the reader to believe that this is the case. According to their data, the average charge per ton of freight is 10.1 cents in West Germany, 9.8 cents per ton in the United States, and only 6.6 cents in Britain.

What they fail to mention is that in the more advanced economies of the United States and West Germany, a ton of goods, on average, is worth about 50 percent more! The industrial output of the more advanced countries contains a much higher quotient of advanced-technological and skilled-labor inputs, which accounts for the much higher value of tonnage. When this difference is taken into account, rates are identical for the same value of freight. The difference is that American and West Germany delivery is four times as fast! It should be added that to offer the same, *not* cheaper rates, for much worse service, British trucking companies pay their drivers less than *one-third* of what an American teamster earns!

The immense superiority of Americans to British



trucking is the result of the high levels of investment in efficient terminal facilities handling less-than-truckload shipments. Chaotic market conditions, for example, permitting the private fleets of Macy's or Sears Roebuck to dip into the common carrier market whenever they please, would hurt investment. Correctly, the Interstate Commerce Commission forbids the private carriers from upsetting market stability, while permitting them to adjust for seasonal slackness by hiring out for more than 30 days at a time.

## **THE 'MONOPOLY' FACTOR**

The deregulators complain about the "monopoly power" of the route certificate, the ICC document that authorizes a shipper to carry certain commodities on a certain route. There is only one piece of alleged evidence behind their arguments, that is, the fact that some of the route certificates carry a price tag for resale. Therefore, "the restrictions on entry into the regulated motor carrier industry inevitably result in gross inequities among individuals. Persons who happened to be in the motor carrier business in the mid-1930s have been awarded, free of charge, valuable property rights."



*The results of Mr. Kennedy's airline deregulation: the destroyed engine of the DC-10 that crashed at Chicago's O'Hare airport, killing 267. The Federal Aviation Administration admitted that the crash was caused by cost-cutting—induced by the cutthroat competition—in maintenance procedures.*

Of course, there is a premium on the most lucrative intercity routes. Carriers obtain authorization for these routes by agreeing to service less-profitable areas at the same time. When an exempt carrier, typically an independent trucker, wants to operate on the most-traveled routes which account for the majority of the carrier's earnings, he must pay a substantial premium. There is, also predictably, no competition for route certificates in rural and less-traveled regions.

For the most part, the cash resale value of route certificates represents the *differential* between more and less profitable routes. Wiping out the value of route certificates through deregulation will mean that lucrative intercity routes will be swamped by 100,000 independent truckers, and that rural routes will be reduced or eliminated.

## **AIRLINES: THE DEREGULATION DISASTER**

Shortly before 267 people died in the crash of a fully loaded DC-10 commercial airliner at Chicago's O'Hare airport, Edward Kennedy told a congressional committee:

The Airline Deregulation Act of 1978 is a piece of

legislation in which the members of this Committee can take justifiable pride. Its results have exceeded the expectations of even its most ardent supporters. For example, the General Accounting Office estimated in 1977 that savings in the first year following passage of the legislation would total in excess of \$1.8 billion. A study released by the Civil Aeronautics Board last Friday indicates that one year's savings will approach \$2.5 billion. By every standard of economic measurement—traffic, revenues, employment, or profits—the results of airline deregulation have been phenomenal.

On few occasions have more lies appeared in a statement so concise. Only after the Chicago tragedy has the public become aware that something has gone horribly wrong with the nation's airline system. What has gone wrong is deregulation.

Federal Aviation Administration inspections of DC-10s have led to the grounding of the entire 130-plane fleet, creating one of the worst service tie-ups in American aviation history. FAA found that nearly 50 percent of operating DC-10s contained dangerous, and previously undetected, faults. Although the full investigation is not complete, the Federal Aviation Administration admitted that the Chicago DC-10 crash was caused by cost-cutting in maintenance procedures, including violation of the manufacturer's maintenance instructions.

The grounding of the DC-10 fleet is merely the most pressing demonstration that the airlines cannot survive

with deregulation. By the end of 1979, the airlines plan to demand large fare increases.

Kennedy's \$2.5 billion "savings" is a sham, an invention of the type to be expected from an administration that insists that there really is a global oil shortage. Here is how the \$2.5 billion "saving" was fabricated.

1. Airlines raised their fares in a big jump in January-February 1979, and then brought them down briefly when deregulation took effect. Deregulated fares are still well above last year's levels, but marginally down from the beginning-of-the-year jump. The CAB statisticians merely calculated how much airline fares would rise if that one-shot rate of increase continued through the year.

2. The CAB ignored the skyrocketing of air freight costs, which have already risen by 15 to 40 percent. Further increases in both air freight rates and passenger fares are expected before the end of the year.

Kennedy's cited claim that service has improved is also a lie. The airlines have done precisely what the trucking companies would do under deregulation: throw everything that can move into the most traveled routes, and cut off less traveled ones. Most of the fare decreases have occurred in the major tourist routes, such as New York to Miami and New York to San Francisco. Flights on smaller routes have been eliminated, creating a real shortage of seating space and capacity for airfreight delivery to many areas of the country.

However, CAB statistics make it impossible to determine exactly how bad things have become. Without much fanfare, the CAB changed its measurement of service in and out of small towns from available seats to number of flights. By the new criteria, a six-seat Cessna counts as much as a Boeing jumbo jet. Typically, routes abandoned by the major airlines fell to smaller commuter airlines employing smaller, and often less safe, planes. Under this measure, the CAB now reports that frequency of service has doubled if two small commuter craft have replaced a single large jetliner.

The CAB has similarly faked statistics for airfreight service, substituting a measure of the number of flights entering and leaving an airport for the amount of tonnage capacity available.

When the full story of airline deregulation is told, the consequences will be precisely the same as those we have projected for trucking deregulation: a temporary drop in rates on the most traveled routes, combined with a collapse of service on the least traveled routes; a major increase in rates within a year; and a catastrophic reduction in safety standards.

# IV HOW THE LAROUCHE ECONOMIC MODEL SHOWS

The LaRouche Economic Model demonstrates that the lower economic growth that would result from trucking deregulation would cost the American economy a stupendous \$489 billion in lost output over the next eight years. Table I illustrates exactly how many industrial goods would be produced each year under two scenarios. The first scenario assumes no changes in present economic conditions, including continued regulation of the motor carrier industry. The second assumes no changes *except* for deregulation of the motor carrier industry.

It must be emphasized that this \$489 billion is *not* lost Gross National Product. Gross National Product is an essentially useless measure of economic activity, because it includes every form of economic wastage, from government and private-sector paper-shuffling to casino gambling. (If Senator Kennedy succeeded in his plan to legalize the marijuana traffic, the result would be the biggest spurt of economic growth in American history under the Gross National Product measurement—because the \$50 billion of that illegal drug now sold every year in the United States would be added to the Gross National Product figures.) If we were to measure the loss in Gross National Product terms—the way the same academic fakers who want deregulation would—the figure would be substantially higher.

It should be added that the \$489 billion loss is in 1979 dollars—or about equal to one-sixth of this year's

# THE EFFECT OF DEREGULATION

expected output. Of course, that figure is the sum of the losses to production in each year. Over eight years, trucking deregulation means \$489 billion less in home consumption goods, capital investment, and social services. To be precise,

- Investment in services will lose \$252 billion;
- Investment in expanding or improving the living standard of the goods-producing workforce will lose \$39 billion; and
- Investment in production facilities, including replacing or modernizing plant and equipment and purchasing raw materials, will lose \$188 billion.

Above, we demonstrated that increased cost of service, accident costs, insurance costs, and general inefficiency in the economy can be estimated with a fair degree of precision. We found that the increased direct charges resulting from deregulation would come to over \$17 billion. We also found that delivery times would rise substantially, within the range indicated by the difference between current British and West German levels.

To estimate these charges' effect on the nation's economy, the LaRouche model shows how they interfere with the way the economy reproduces itself. Every extra dollar spent on transporting goods is a dollar less paid for hiring new workers, purchasing raw materials or energy, or expanding plant and equipment. Even worse, every extra day added to the "turnaround time"

of the economy—the time it takes to complete the production and distribution cycle of a single commodity—decreases the economy's productivity.

The LaRouche model, developed by Fusion Energy Foundation scientists and U.S. Labor Party economists according to Lyndon LaRouche's specifications, is uniquely qualified to handle this kind of problem. The type of model employed by the academic fakers does two things wrong. First, it expresses everything in terms of Gross National Product; this enables the fakers to argue that there will be no problem if the economy's energy supply shuts down, *if* we open up enough gambling casinos—because GNP will still be the same. Secondly, these models do not pretend to show how the economy works. Instead, they rely on the likelihood of coincidences repeating themselves. For example, if for a certain period of years inflation seems to coincide with the appearance of sunspots, the academic fakers would feel within their rights to write an equation for the "correlation" between inflation and sunspots! That is not an exaggeration, but the precise recommendation of John Maynard Keynes himself.

LaRouche's model, by contrast, shows how real wealth is actually produced. The model divides the economy's tangible output (or the output of any smaller part of the economy) into three types of goods. The first are goods used by industry to purchase raw materials or machines, or *constant capital*. The second are

consumption goods paid to goods-producing workers, called *variable capital*. The third are goods used in the service industries, either to build office buildings or pay office workers and the like. Overhead costs of all kinds, including military production and production of so-called antipollution devices, are included in the final category, which is designated by the small letter, *d*.

These three categories show how productive the economy is, namely, how much tangible output is produced by a certain amount of labor on the part of goods-producing workers. By calculating the *productivity rate* of the economy on this basis, the model can show the effect of changes in productivity. For example, if the introduction of new technologies enables the same amount of labor to produce more tangible output, the model can project that economy's rate of growth into the future by programming in the higher rate of productivity. On the other hand, if additional transportation time makes the economy less productive, the model can do the reverse, and show the decline in productivity.

Also, if additional overhead costs, such as antipollution expenditures, military spending, or transportation costs occur, the model can show the impact directly. By deducting the amount of goods that can be re-invested into new production and adding this amount to the overhead costs, the model shows the impact of less productive investment over time.

In each case, the model's purpose is to make the *productivity of labor* the determining question in economics. It is a *causal*, rather than a "correlative" (that is, coincidence) model, in that it shows the real cause-and-effect of production of tangible wealth. In this case of trucking deregulation, it shows the effect of the various costs and inefficiencies described in the previous sections.

### Productivity and Time

We will explain how we estimated these effects, and then explain a series of computer-generated graphs illustrating the development of the U.S. economy with and without deregulation.

1) As noted above, the extra charges to the economy resulting from deregulation will amount to over \$17 billion, including

- a) Increase in freight costs—\$7.2 billion
- b) Reduction of service to rural communities—\$4.4 billion
- c) Cuts in union wages—\$5.1 billion
- d) Higher insurance and accident costs—\$.5 billion

These costs now become charges against the rest of the economy, that is, against reinvestment of each year's surplus production into new constant capital and variable capital. This reduces the economy's future ability to reproduce itself.

**Table 1. Projected effects of trucking deregulation on value of U.S. industrial output, 1979-1987** (in trillions of constant 1979 dollars).

Year	Industrial output, no deregulation	Industrial output, with deregulation	Lost output
1979	\$1.860	\$1.860	\$0.000
1980	1.996	1.990	0.006
1981	2.212	2.110	0.102
1982	2.244	2.167	0.077
1983	2.541	2.237	0.304
1984	2.708	2.218	0.480
*1985	2.923	2.320	0.603
*1986	3.154	2.360	0.794
*1987	3.404	2.408	0.996

*The costs of trucking deregulation in terms of lost U.S. industrial output were calculated by a computer using Lyndon H. LaRouche's Riemannian economic model. Indicative of the model's ability to locate "qualitative" as well as quantitative nodal points in economic processes, the values in lost output for the years after 1984 (marked with asterisks) become so large as to become quantitatively meaningless: at this point, deregulation will have degraded the U.S. industrial economy to a fundamentally lower level of operation, in which dollar comparisons with previous levels of economic activity are meaningless.*

2) As explained above, productivity in the economy is a factor of time, and an increase in transportation time can become a significant factor in decreasing the economy's productivity. Since average delivery time in the United States is now about 1.5 days, according to numerous interviews with carriers around the country, and inventory time of goods is on average 39 days, transportation is an insignificant factor. However, if time increased substantially, transportation would become a major inhibition on productivity. We estimated above that under deregulation, delivery time would worsen from West German levels to British levels—or by a factor of four. For use in the model, however, we assumed that transportation time would merely rise by a factor of two. It was decided to take the lowest reasonable estimate, and give the adversary the benefit of a shadow of a doubt.

To reiterate: the scenario on which the assumption of increased transport time after deregulation is based on the following. Unlimited market access would give 100,000 independent truckers entry into the most lucrative trucking routes. Since these routes are the ones that provide most of the profitability of the carriers (rural routes which carriers must serve under ICC regulation are marginally profitable), the massive entry of the independents into these markets will sharply lower the profitability of major carriers. Collapse of profitability

of major carriers will prevent investment in expansion and maintenance of the most advanced terminal facilities, which account for the very short delivery time in the United States.

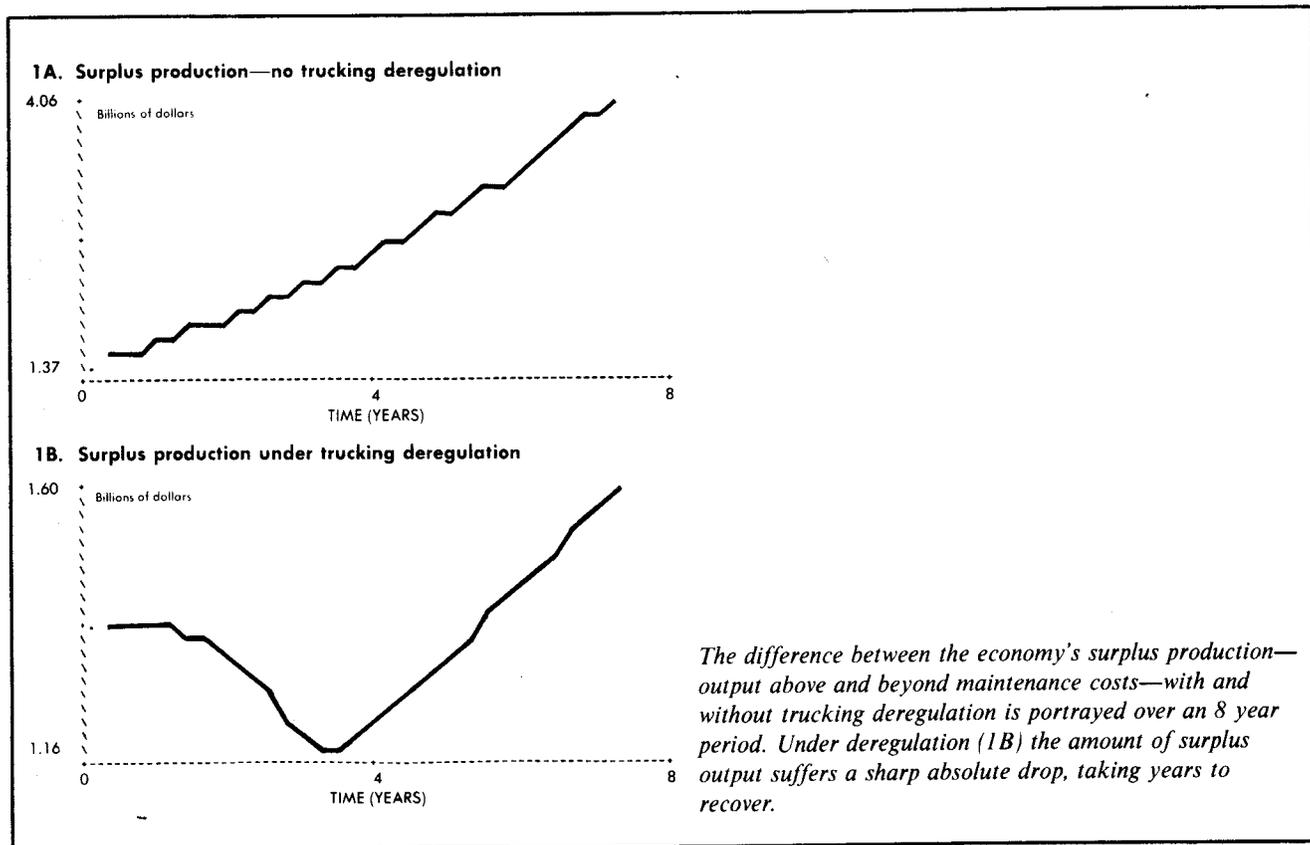
Equating “turnaround time” in the economy to productivity, and assuming a rise in total turnaround time (inventory plus transportation time) to 42 days from 40.5 days, the model is programmed to show a 4 percent drop in productivity over four years after deregulation (4 percent equals 40.5 divided by 42).

The results are shown in the accompanying graphs. Graphs 1-A and 1-B show the difference between the economy's surplus production (output above and beyond replacement costs). Under deregulation, the amount of surplus suffers a sharp absolute drop, taking years to recover its rate of growth.

Graphs 2-A and 2-B are far more revealing. They show what happens to the LaRouche model's basic economic index—the “free energy” of the economy. These graphs chart what happens to the rate of surplus production compared to maintenance costs, or

$$\frac{\text{surplus production} - \text{overhead costs}}{\text{constant capital plus variable capital}}$$

This ratio shows not only how fast the economy is



growing or slowing down, but what its future growth potential is at any point in time. If the amount of surplus production is falling sharply at any given point in time relative to the existing maintenance costs of the economy—overhead, constant capital and variable capital—then the country is in real trouble. Graph 2-B, the deregulation case, is the best measure of what Senator Kennedy's plan would do to the United States. It shows that even after the level of surplus output (shown in Graph 2-A) has started to rise after several years of collapse, the economy's "free energy" still has not recovered.

The remaining graphs show the consumption of goods-producing workers, or variable capital, under the two cases, and the level of new investment in raw materials and plant and equipment. Graphs 3-A and 3-B show the effect on variable capital; Graphs 4-A and 4-B show the effect on constant capital.

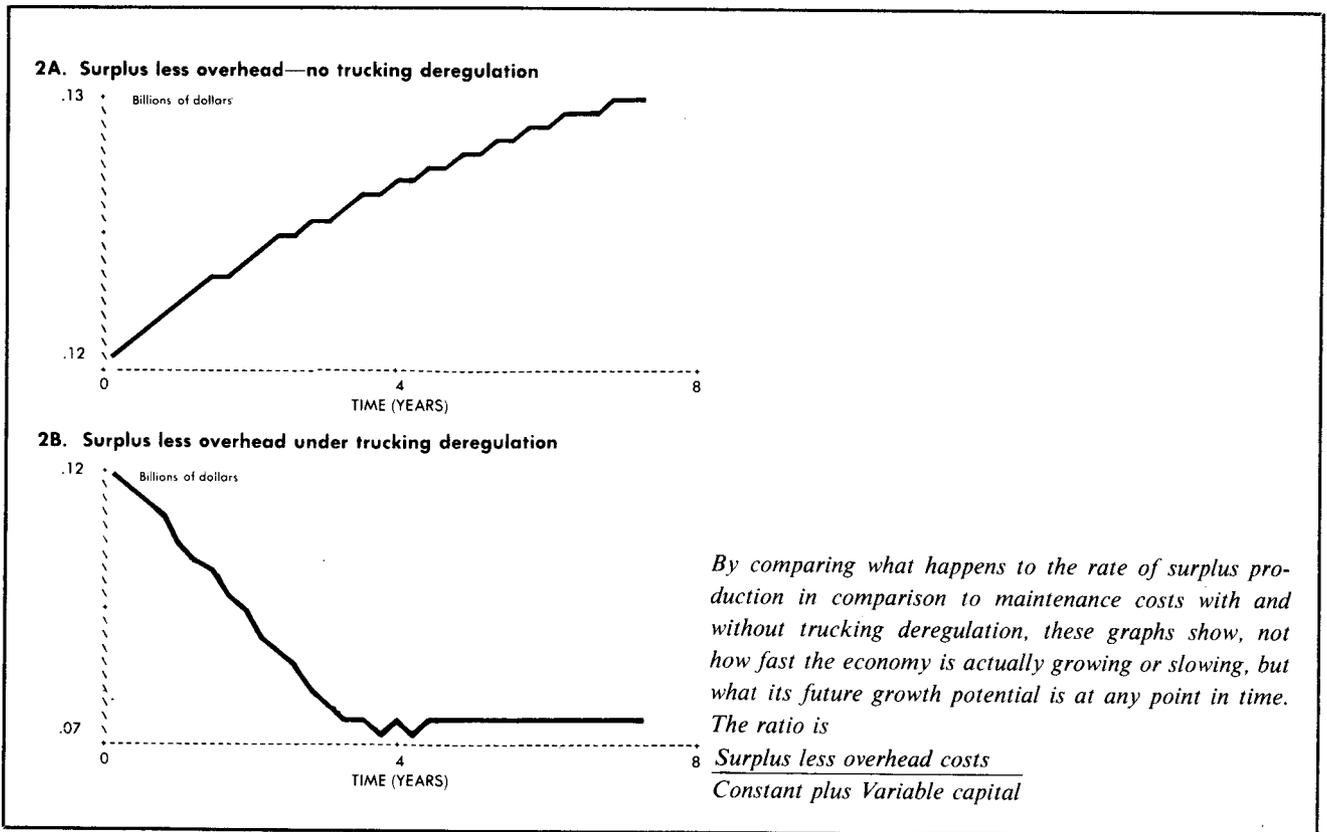
The graphs are based on data that include a constant 6 percent inflation rate through 1987; therefore, the numbers that appear on the Graphs are larger than the deflated numbers listed in Table 1.

It must be emphasized that Graphs 1-A, 2-A, 3-A and 4-A do not show what *should* happen to the U.S. economy. They merely show what *would* happen if the economy continues to drift along at the basic growth rates and with the same criteria for re-investment of

surplus that have prevailed over the past ten years. Although the projection of present conditions into the future looks good by comparison with what would happen if deregulation made things worse, this is by no means an ideal scenario. Far from it: under a LaRouche administration, the rate of growth of the U.S. economy would be several times that shown. Introduction of new technologies, financing of exports of high technology goods, elimination of speculation against the dollar and on other financial markets, large-scale production of nuclear energy, and other planks of LaRouche's 1980 platform would produce rates of growth this country has not seen since the height of the production mobilization of World War II.

There is a second part of the model's results, just as important as the results of the first five years of deregulation reported above. This result cannot be accurately reported in numbers, because, after the first five years of economic dislocation, the numbers jump off the board. If we continue adding up the costs, we reach the astronomical figure of several trillions of dollars of output by the seventh and eighth years after deregulation comes into effect.

**What this shows is that the American economy will have broken down, past a point of no return.** The transportation infrastructure will have been destroyed, and with it, the basis for economic reproduction. The com-



puter-generated graphs indicate this by showing that the crucial free energy ratio—investible surplus divided by constant capital and variable capital—remains flat on the floor after the fourth year. No economy can run under such conditions.

Fundamentally, the costs of this form of breakdown crisis are *unpredictable*, past a certain point in time. Visualize what deregulation means: major sections of the American continent cut out of economic life, assembly-line shutdowns due to slow and erratic deliveries, lines in front of food stores, and other earmarks of a Third World economy. America will have lost a half-century of economic progress.

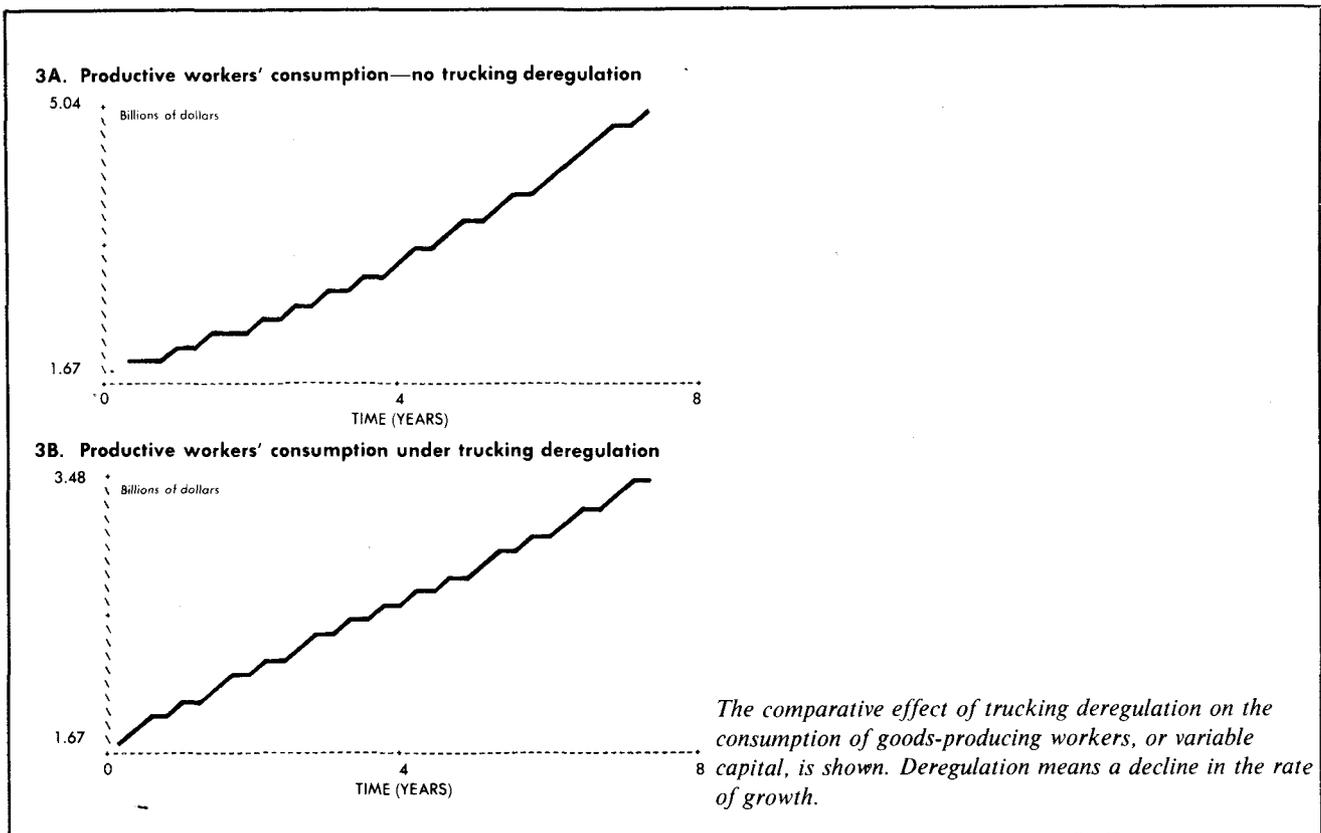
The LaRouche model was designed specifically to demonstrate what the ultimate consequences of economic decisions will be. At the point where numbers shoot off the graphs, the model has flashed an alarm signal that an irreparable disaster is just down the road.

The coincidence models of the Wharton School, which cannot distinguish between a machine tool and a slot machine in their Gross National Product print-outs, are totally incapable of producing such results. The Wharton School economist is like a man in a canoe who ignores evidence that a waterfall is just around the bend, because he cannot detect any change in the depth of the water!

In fact, so-called economic models of the Wharton

School type have few pretenses of predicting economic developments. *They are a device for blinding policymakers to the real consequence of their decisions.* Because they merely string together historical coincidences in the behavior of data that is in any case meaningless, the Wharton model and its siblings can be rigged to show any result the econometrician cares to. In particular, these models shut out the consequences of policy disasters, and, by their intrinsic prejudices, rule out any major improvement in the economy that would violate old patterns of behavior.

Wharton and its imitators have run a highly effective form of deception politics against the American business community. A case in point is the National Farm Bureau's stand in favor of trucking deregulation. Although the Bureau's activities are mostly to be praised, it has made the mistake of buying the Wharton School's model of the agricultural economy, and missed the boat on some of the most pressing economic issues. More than any other organization, the Farm Bureau—once it cuts Wharton out of its budget—has an obligation to fight Kennedy's deregulation plan. Its members, whose high standard of agricultural technology depends on efficient transport and distribution through rural areas, would suffer more than any other American constituency through the amputation of rural areas from the nation's transport grid.



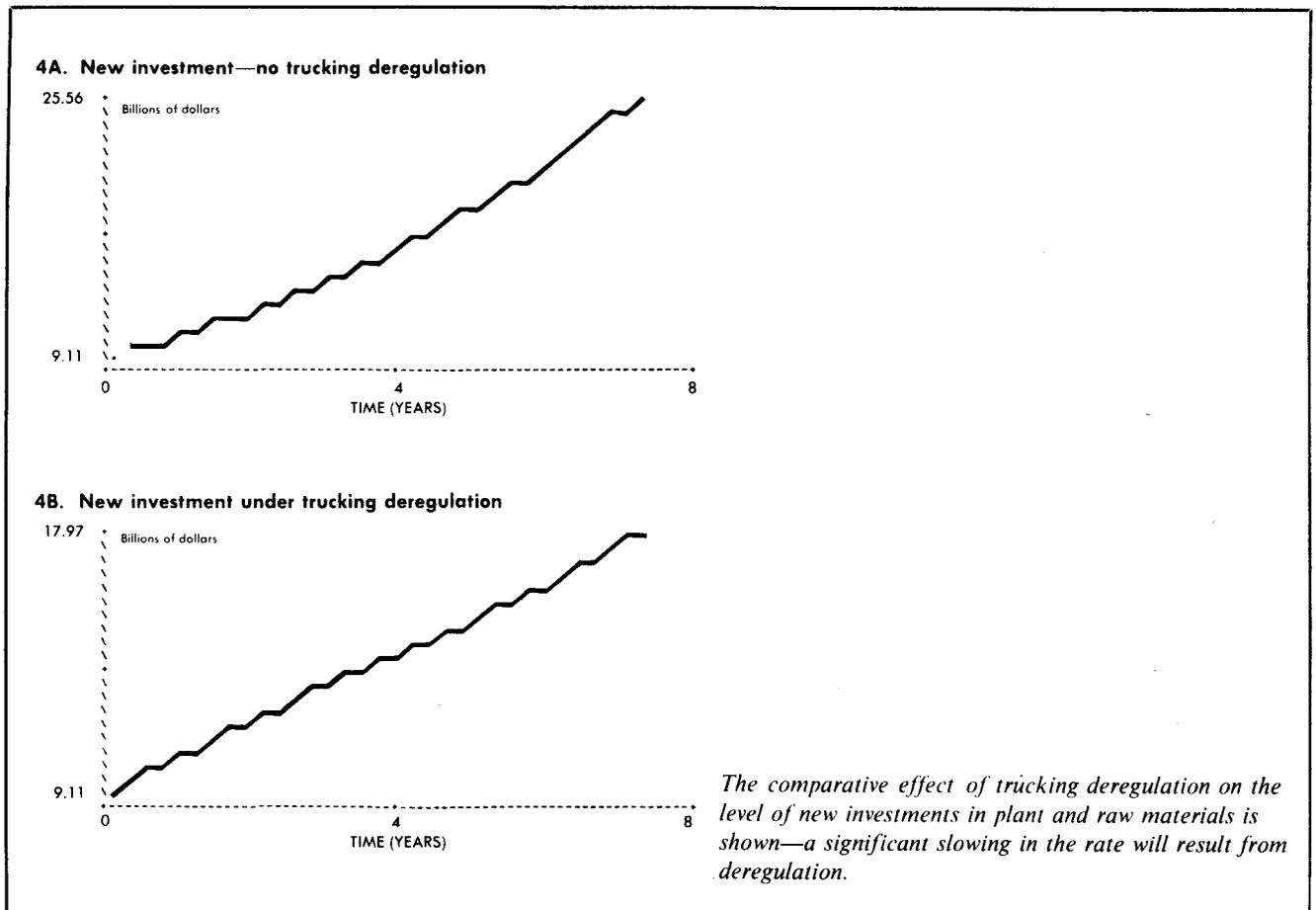
If Wharton predictions seem more like psychological warfare than "objective economics," that is because they are psychological warfare. At the top, Wharton School's management are all long-term veterans of the British Intelligence Psychological Warfare Command at the Tavistock Institute in London. Russell Ackoff, director of the Busch Center for Industrial Management at the Wharton School, spent more than a decade at the Tavistock Institute. His associate, Wharton School labor specialist Eric Trist, was a co-founder of Tavistock. The Tavistock Institute, apart from acting as the British Army's center of psychological operations during and after the Second World War, is Brave New World incarnate. Tavistock profiles and learns how to manipulate family problems, national prejudices, political decision making, and labor organizations, as well as enemy morale. Among its leading veterans is psychiatrist R.D. Laing, who gained his reputation defending psychosis as a means of self-expression. Wharton School is a branch of this outpost of pure evil.

Wharton's single most important financial contributor is Baron Edmond de Rothschild of the Rothschild banking family, one of the financial sponsors of the

Tavistock Institute. Rothschild is a leader in the London-New York banking elite that created the "deregulation" campaign in the first place.

Apart from attempting to brainwash economic policy-makers, Wharton engages in secret studies, often in combination with intelligence agencies. Currently, Wharton is running a top-secret project entitled, "How to Stop the International Brotherhood of Teamsters' Tactics Nationally."

The mother institution of the Wharton School and the other econometric fakers is the New York Council on Foreign Relations. In a remarkable burst of frankness, the Council on Foreign Relations earlier this year published a set of book-length volumes collectively titled the "1980's Project." The project benefitted from the direction of Michael Blumenthal, Cyrus Vance, Richard Cooper, and other men who are now cabinet officers in the Carter Administration. In their published account of their views on the next decade, these gentlemen glibly predict the "controlled disintegration" of the world economy. In no way do they object, at least not qualitatively, to the results of the LaRouche model's evaluation of their stated policies.



# V DEREGULATION IS UNCONSTITUTIONAL

The first time that the American population defeated the deregulators was in the battle for the Constitution itself. The British had followed up their defeat in the American Revolution by launching a full-scale subversive movement *within* the colonies in hopes of keeping each colony at each other's throat until London could recapture the country piece by piece. The founding fathers took on the British "free enterprisers" forcefully; anyone who refused to support the creation of a central government would be responsible for sabotaging the growth of industrial and agricultural economic development, for which the American Revolution was fought.

George Washington and Alexander Hamilton, in particular, began the fight to supersede the impotent Articles of Confederation almost as soon as the war was begun. Their arguments were bolstered by the fact that "states' rights" were the primary reason that the American army went through the war hungry, ill-equipped, and unpaid. While Hamilton focused on the need for federal economic powers that would stop the suicidal trade wars going on between one state and another, Washington concentrated on how to bind the nation together with a national system of transportation.

Washington's first trip around the nation after the war was undertaken so that he could survey just what routes a national road and canal system should follow. He and his followers, later the core of West Pointers, were behind every effort to build national roads, canals, and eventually railroads that was undertaken over the

next 60 years. Such a coordinated system they knew to be essential to build a nation in fact, a nation which could defend itself in danger and handle the division of labor which would allow the most rapid technological progress.

Hence it is no surprise that the Constitution gave the Congress the specific authority over commerce. "The Congress shall have the power to regulate commerce with foreign nations, and among the several States," the Constitution reads. In the minds of its framers, this clause granted an *active* power—the power to direct the building of a national transport system for distribution of goods, and to protect the economy from the predators, foreign and domestic, who were actively trying to rip the nation apart.

The founding fathers had already seen the effect unregulated trade had had upon the economy of their ally France. Having won the right to "free trade," in the treaty of 1786, the British had proceeded to dump goods in a wave of economic warfare that left France divided and vulnerable to that upheaval-destabilization called the French Revolution. The same process had threatened U.S. viability as a nation as well—a process that could not be stopped without the coordinated trade and tariff policy imposed by the federal government.

## **Fight for a National Transport System**

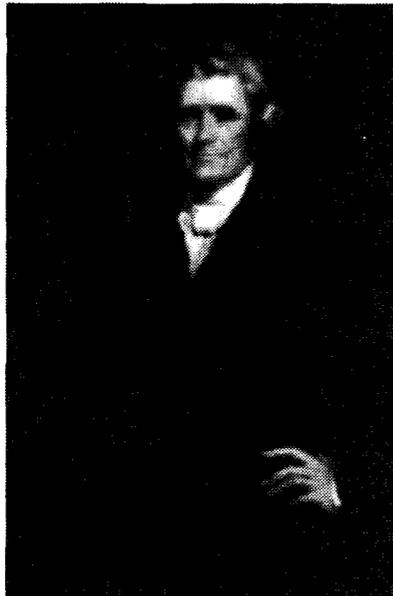
Having Congress exercise the power granted it in the Constitution was by no means automatic, however. Washington and Hamilton were immediately undermined by the American Jacobins and their spokesman



*Alexander Hamilton defended the role of the federal government in overseeing and encouraging the development of a national transportation network against the partisans of the British oligarchy's 18th-century version of "free enterprise."*

*Hamilton wrote in his 1791 report to Congress on Manufactures: "It were to be wished, that there was no doubt of the power of the national Government to lend its direct aid, on a comprehensive plan for improving U.S. roads and navigation."*

*In 1824, Chief Justice John Marshall argued that the Constitution intended the national government to safeguard the "right to progress," and specified that "the power over commerce, including navigation, was one of the primary objects for which the people of America adopted their government."*



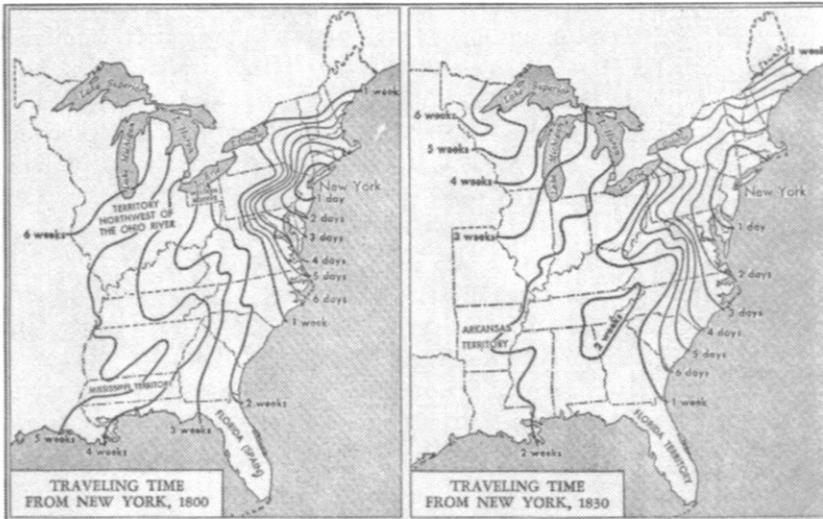
Thomas Jefferson, who, having let the National Bank proposal pass, now moved decisively with New England free enterprisers to sabotage passage of the national development policy known as Hamilton's Report to Congress on the Subject of Manufactures. Hamilton's program, later taken up by Whigs John Quincy Adams and Henry and Mathew Carey, called for the government to provide credit, research, and infrastructure that would most rapidly develop the "productive powers of labor," that is, the real wealth of America. Under the slogan of "the government that governs least governs best," Jefferson, his Treasury Secretary Gallatin, and their followers argued for continued U.S. enslavement to British markets—either through raw materials export from the South, or the highly lucrative re-export and China trade for the New Englanders.

It was not until the War of 1812 that the tide turned decisively toward the Hamiltonian point of view. In that war the British nearly tore the United States apart because the weakening of the central government under Jefferson had meant the underdevelopment of the army, navy, and its means of transport as well. Thanks to the deregulators of the day, the nation was unprepared for war.

Thus the end of the war saw a spate of attempted legislation to build the very national network of canals and roads that Washington had laid out 30 years before. In both 1818 and 1824, federal credit for this network was issued, but each time met with vigorous attack from states that declared their right to deny their citizens transport connection to the rest of the nation. So what if the nation depended on a road through their territory, the states' righters would argue, we have a "free" right to make our own decision.

In 1824, however, the Supreme Court under Chief Justice John Marshall ended that so-called interpretation of the Constitution for all who are determined to adhere to its principles. "The power over commerce, including navigation, was one of the primary objects for which the people of American adopted their government," Marshall ruled in a case entitled **Gibbons v. Ogden**—thus preventing any state from preventing entrance into its port from another "foreign" state. He based his argument on the notion that the United States could not exist and develop if each state were to claim that the powers that New York State had claimed (to keep out a boat from New Jersey), and that under these conditions, the nation would revert to the strife and mutual retaliation of the Confederation period.

The American population of the 1820s had not long ago been through the War of 1812, and they understood what Marshall was saying. Marshall's decision was very popular and was widely reprinted in almost every newspaper in the country. It was a victory for the



*In 1800, it took 2 weeks to get from New York to Charlotte, S.C. Thanks to the dirigist policies of Alexander Hamilton and his Whig successors, it took 6 days in 1830 and in 1860 it took 2 days.*

central idea of the Constitution—that the right to progress and economic development in a republican form of government overruled every so-called right to “freedom” for backwardness.

The British did not give up, of course. Their manipulation, and agency impelled the Southern United States to go to war rather than submit to the concept Marshall was putting forward, and that the great founder of the Republican Party, Abraham Lincoln, had taken up and expanded. In the 1860s Lincoln’s Congress issued an act to organize national railroad corporations, building on the advice of German Hamiltonian economist Friedrich List and his American collaborator

Henry Carey. List and Carey saw the railroads as indispensable to the process of completing the civilization of a nation, allowing the increase of commerce in ideas as well as of goods. With Lincoln’s leading the Union to victory, their ideas triumphed.

Following Lincoln’s death, however, the nation entered a period of intense economic warfare, where once again the “free enterprisers” and “deregulators” went into full swing. Under them, British financial interests were able to take major control over the U.S. railroad system, at the same time as that system was constantly disrupted by rate wars, scandals, etc. In 1887, 108 railroad companies, almost all of them small with only



*Abraham Lincoln arrives in Washington. Under his presidency, America defeated British-backed attempts to divide the nation. Congress's decision to organize national railroad corporations, to allow the broadest possible spread of ideas as well as goods, was central to that battle.*

a few miles of rail, were in bankruptcy receivership. The country's transport system was on the verge of ruin—just as the trucking industry will be if Kennedy succeeds.

The issue was again taken in hand by the Supreme Court, which guarded the principles of the right to national development well. Justice William Miller, a former ally of Lincoln, ruled that the states had no regulatory authority over the interstate transport network. The decision forced Congress to create the Interstate Commerce Commission to prevent economic anarchy and purely “dissipative” “competition” from destroying the productive capacities of the nation.

As it was finally constituted, the ICC regulated freight tariffs to make transport services available to those who needed them at rates they could afford. It worked to ensure sufficient profit to the railroads for a capital fund for the expansion and modernization of the industry.

### **The Cost of Deregulation**

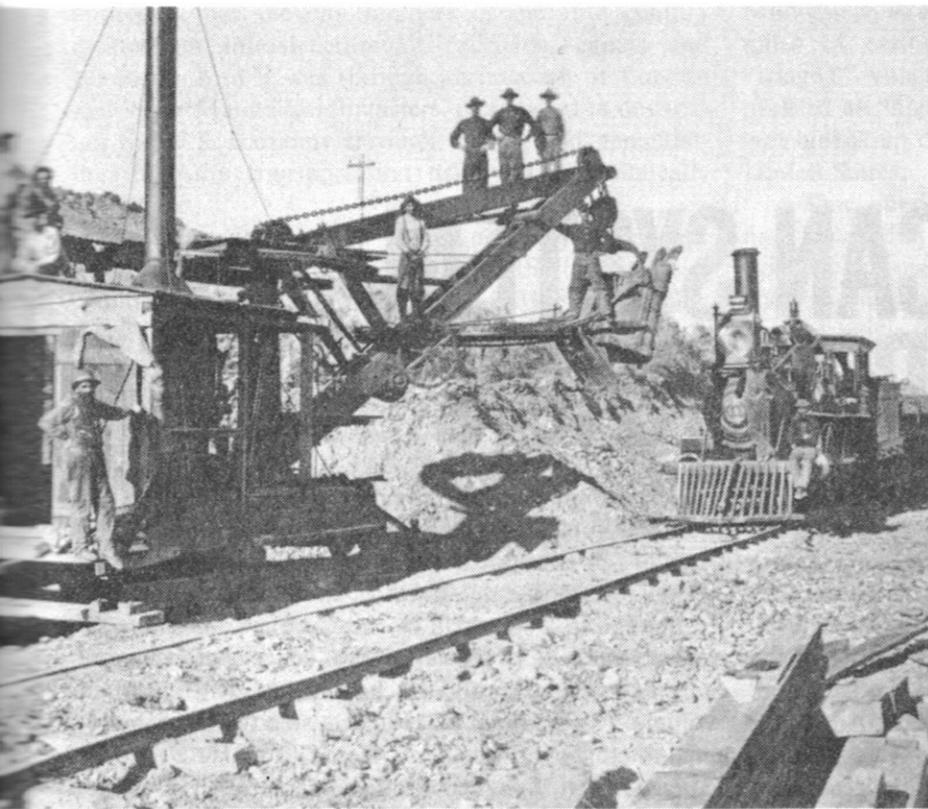
As it was, the damage to America's economic development had been done. Saddled with a huge speculative debt structure tied to the unstable City of London banks, American railroads never fulfilled the promise of the Lincoln administration. Their high level of debt payments forced them to charge American farmers exorbitant rates, which, in hard times, were larger than

the total profit on a shipment of wheat or corn. Agriculture remained in a permanent depression, except for the transient interruption of World War I. Even the economic boom of the 1920s failed to lift the rural economy out of the dumps where lack of railway regulation had left it. Low farm income and bad transport constituted a drag on the national economy for 40 years.

Two generations had to pass before the rural economy recovered. It was not the railroads that brought the farm sector into the mainstream of American economic life, but rural electrification and the motor carrier industry. Half a century late, the fruits of Henry Ford's dedication gave the majority of American farmers access to the rest of the nation's economy. The motor carrier industry—and the Motor Carrier Act of 1935—is a principal reason why America has only 6 percent of its population on the land, the lowest proportion in the world, and still produces the world's biggest farm export surplus. But millions of Americans suffered poverty and backwardness for decades because of the great error of railway deregulation.

The railroads have never recovered. By the end of the century, railroads' capital funds for modernization had been gutted; restricting the industry and decreasing services.

The constitutional mandate for the development of



*The railroads that were built to develop the U.S.—here, the newly introduced “steam paddy” by the side of the nation’s first cross-country railroad—were taken over by British financial interests after Lincoln’s death, and were soon “deregulated” into bankruptcy and decay.*

a transport system was renewed with the Transportation Act of 1920. This act turned over to private ownership the transport networks that had been developed during World War I—but under the direction, control, and financing of the federal government. The act empowered the ICC to issue government-backed bonds for construction.

### **Congressional Mandate**

It was not until 1935, when Congress integrated trucking into the national transportation system with the Motor Carrier Act of 1935 that the long-term recovery began. The extensive use of long-haul trucking to carry commodities had flourished under Prohibition; but it was dangerous, dominated by organized crime, and chaotic. The industry consisted of many small firms on the edge of bankruptcy.

The Motor Carrier Act was the first step in building today’s smooth and efficient system. “A primary objective of the scheme of economic regulation of motor carriers is to assure that shippers generally will be provided with a healthy system of motor carriage. ... One primary purpose of this chapter (the act) is to **protect the public against irresponsible carriers who do not have adequate facilities, financial backing and personal integrity to render the public adequate service.**” Under deregulation; the public will lose that protection.

In 1940, the Transportation Act extended that protection throughout every area of the industry. “It is hereby declared,” the act stated, “to be national transportation policy of the Congress to provide for fair and impartial regulation of all modes of transportation subject to the provisions of this act ... to recognize and preserve the inherent advantage of each; to promote safe, adequate, economic, and efficient service and foster sound economic conditions in transportation; to encourage the establishment and maintenance of reasonable charges for transportation without unjust discrimination, undue preferences or advantage, or unfair or destructive competitive practices ... to encourage fair wages and equitable working conditions;—all to the end of developing, coordinating and preserving a national transportation system by water, highway, and rail, as well as other means, adequate to meet the needs of the commerce of the U.S....”

At least in the case of motor carriers, regulation of the transport industry achieved that aim. The Interstate Commerce Commission by itself could not guarantee cheap and efficient transport. But it did protect the industry against predators. It enabled groups of citizens, like the International Brotherhood of Teamsters and the regulated carriers, to exercise their constitutional rights to promote and enjoy the fruits of progress. Deregulation now means an open door to predators.

# VI AN AMERICAN SYSTEM OF TRANSPORTATION

America, under a LaRouche Presidency, will move into an unprecedented era of economic growth. During the first phase of the national reconstruction program alone, U.S. high technology exports will increase by over \$200 billion above the present \$110 billion level. It is within the planning and resource potential of the nation to move into the 21st century with overall exports in annual excess of a trillion dollars. An America churning out such volumes of high technology exports means the construction of whole cities and industrial complexes in areas of the Third World now living in pre-industrial poverty and ignorance; the transformation of deserts such as the Sahel into modern agricultural belts feeding whole continents.

At the point that this gear-up of America's industrial

muscle commences, the greatest problem that the nation's city-builders will have to overcome is the wretched state of our transportation grid. Under present levels of disintegration *and deregulation*, the U.S. economy will be choked to a standstill by the fact that our transportation system lacks the capacity to deliver our industrial and agricultural products cheaply, efficiently and in volume. It is obvious that the first step toward rebuilding America's industrial complex is to create a modern conveyor belt, designed from the perspective of servicing the growing needs of successive generations. This process must begin immediately.

The transportation grid of the United States has been significantly destroyed—*through a half century of deregulation*. It was through a dirigist, highly regulated



approach that the city builders of the 19th century created an infrastructure of railroads, canals and roadbeds. And it was through an invasion of London and lower Manhattan financiers, committed to destroying the U.S. economy through looting and deregulating, that the transportation grid was systematically gutted.

Trucking deregulation would not only knock out the one remaining efficient mode of the industry but would cost this country's economy \$489 billion in five years. Phase One of a program to rebuild the nation's transport system would cost \$30 billion—including rebuilding of railways, computerization, new port facilities and air cargo.

### The Rail Crisis

International Brotherhood of Teamsters President Frank Fitzsimmons pointed out in a recent speech that the United States is the only nation of the advanced sector that does not have a national rail system. If present trends of deregulation and triaging continue, this country will soon have no railroad system at all.

Consider the following staggering statistics:

- The rail industry has the lowest profit margin of any sector of the U.S. economy—under 3 percent per year. What this means in the most practical terms is that no reinvestment in capital formations (new track, new trains, depots), research and development—even maintenance, occurs.

- Since the consolidation of six Northeastern and

Midwestern rail lines into Conrail in 1977, over 6,000 miles of existing track have been shut down, or “triaged,” concentrating all service on specific routes profiled as “high profit.” The decapitated Conrail system makes up over 55 percent of all rail service in the United States.

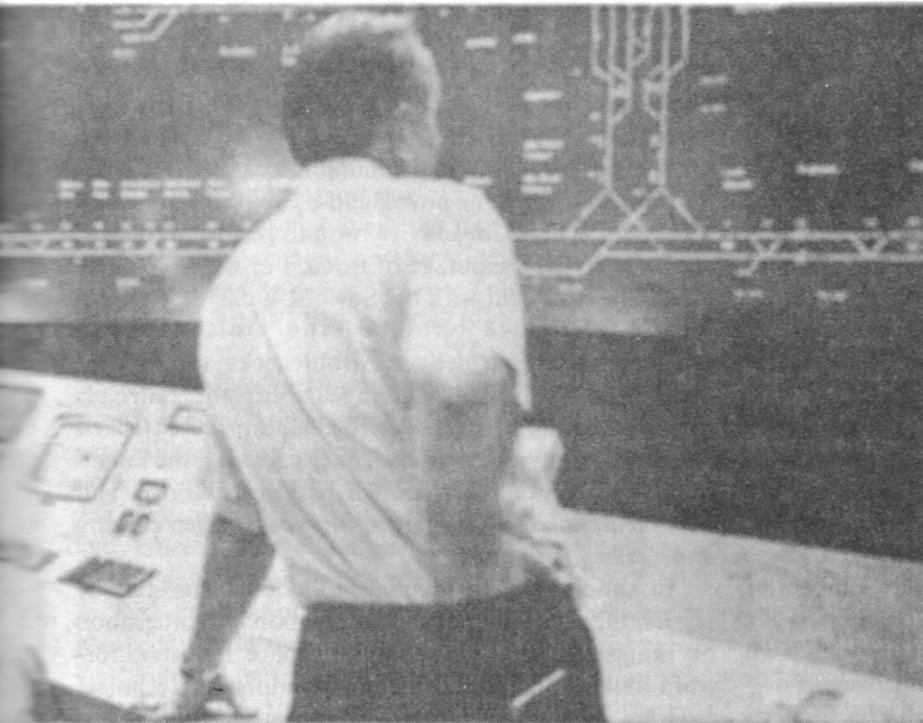
- One hundred years ago, freight cars on the rail lines traveled at an average speed of 65 miles per hour. Today, because approximately half of the nation's 200,000 miles of track are at least 50 years old and beyond repair (rail experts insist that the maximum life of rail track under present technologies is 39 years), average freight car speed is 25 miles per hour! Within the 17,000 miles of Conrail track, over 40 percent of the track is under “slow order” which reduces maximum speed to 40 miles per hour. Other areas have maximum limits of 10 miles per hour.

- Railroad safety experts estimate that the maximum life of a locomotive is 23 years, with at least one major overhaul. Of the 25,000 locomotives in operation today, over 30 percent are more than 23 years old.

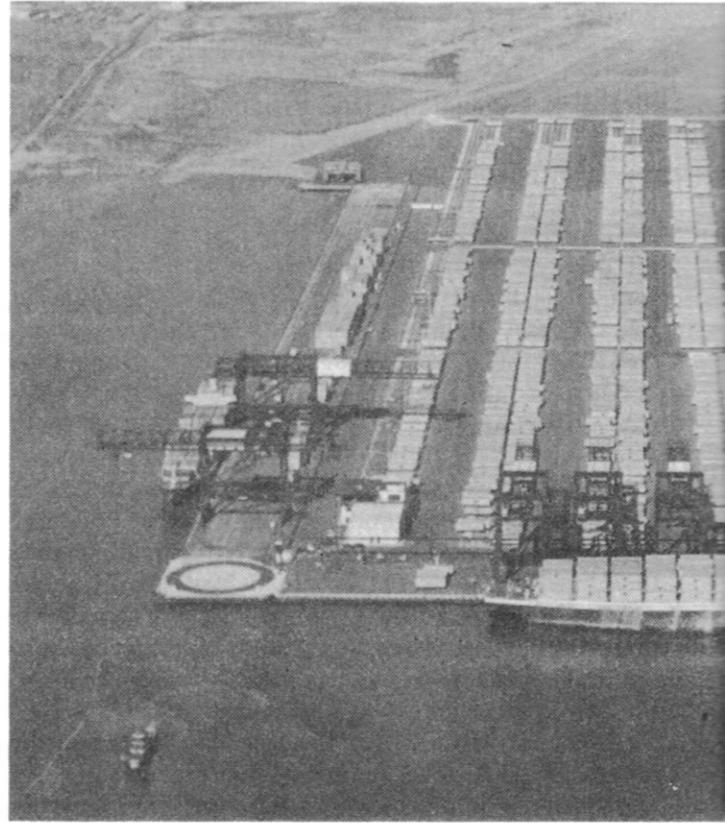
- The nation has 1.7 million freight cars. On the average, the rail lines use these cars only 6 percent of the time—only 22 days out of the entire year. No American industry has a capacity utilization rate as low as even ten times that figure!

The present gutted state of our rail system is the future of our trucking industry if deregulation is implemented.

In fact, as the result of “free enterprise” the nation



*Putting America's railways into one centralized system will allow computer techniques now used in some municipal systems, like San Francisco's BART (left) to monitor the entire rail net and ensure most efficient use. Under today's underregulated system, freight cars sit unused 94 percent of the time.*



no longer has rail companies (with the sole exception of limited areas in the southwest). Rather, it has bankers who run a railroad swindle on the side. Unfortunately, this has been true in the United States since the 1870s when former Lincoln ally Jay Cooke lost his railroad business to the British Rothschilds and the financing and control of America's railroads fell into the hands of British bankers.

After World War I when Britain had to sell off most of its holdings, the Morgan and Harriman interests—British System swindlers to the core—took over the parts they didn't already own, and ran them as a looting operation. As a result, the Eastern and Midwestern sections of the rail system have been in and out of bankruptcy since the 1930s. Seven of the Eastern lines went into bankruptcy in the late 1960s and early 1970s, the giant Penn Central included.

The phenomenon of independent truckers scavenging labor-intensive, one-way, one-stop hauls is a direct byproduct of the collapse of the rail system. Areas of the economy once serviced more efficiently, cheaper and faster through rail delivery resorted to the independent truckers only as the result of the rail service being discontinued. Like rats in ghetto tenements, the independent trucker phenomenon emerged as an expression of economic collapse; and will disappear—like the ghetto rats—when the old gutted system is

overhauled and replaced with levels and volumes of modern technology befitting the economic needs of a rapidly expanding economy.

## **THE STARPORT PROGRAM**

The primary requirement of a modern, effective transportation system is the rapid delivery of products to earmarked destinations at minimum cost. As the U.S. transportation system now stands, even a minimal increase in economic activity would result in delays, spoilage, and the sabotage of trade. For example, after the 1973 wheat deal with the Soviet Union when American agriculture boomed, the United States ran months late on delivery. Bottlenecks appeared at every step of the way—grain cars for the railroads couldn't be found (later, over 100,000 cars were tracked down to various stockyards all over Canada), the inland waterways couldn't get enough barges in service, and port facilities were backlogged for weeks, often causing unnecessary spoilage.

In anticipation of precisely this disastrous state of affairs, the leadership of the International Brotherhood of Teamsters, sections of the aerospace industry, forward-looking shippers and administrators and technical advisors in the Nixon administration put forward a



*Teamster leader Jimmy Hoffa was among those who lobbied for the Starport program, which would eliminate the pileup of containers (here, at Port Elizabeth in New Jersey) and other bottlenecks by bringing shipping, rail, truck, and air transport into one computerized, fully integrated nexus.*

plan in the early 1970s for the creation of a fully integrated air-land-sea transport system, employing the most advanced transportation hardware, computer systems and storage-conveyor facilities. The project was named Starport America.

Starport America combined all four cogs of the transport system—rail, trucking, air cargo and shipping—into one integrated port facility. An additional mode was added to insure maximum cargo throughput: computerized planning, directing and monitoring of cargo flow both into and out of the port.

As originally conceived, the first Starport America would have been built on the Gulf Coast of Mexico, probably near Houston, Texas. Subsequent Starport Americas would be later built on both the east and west coasts.

The plan called for the construction of a Jetport strictly earmarked for air cargo—separate from passenger facilities. This Jetport was to be composed of ten docking modules which each could handle 15 jumbo jets. The adjacent Seaport was to be the most advanced and efficient containerized port facility—capable of handling 300 container ships in a day.

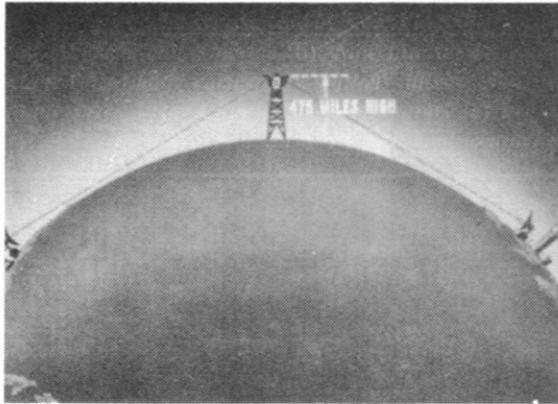
Rail integration into the Starport America was planned around the most advanced rail system employing “unit trains.” These trains are made up of approximately 100 cars that are permanently coupled. The unit

trains have the same point of origin and destination each trip. It was estimated by the Starport America planners that the implementation of unit trains in combination with the air-sea-highway modules would rapidly bring equipment utilization from the current 6 percent to between 70 and 80 percent.

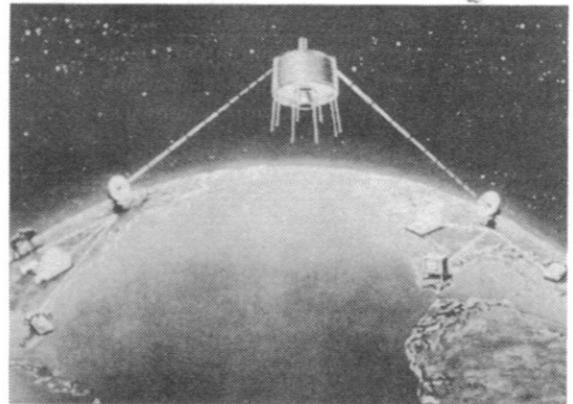
The Starport center would also centralize truck shipments throughout the area.

The entire system would be controlled through an American Cargo Electronic Data Processing System linking all four modes into a continuous flow of cargo. It is estimated that Starport would double the throughput of the largest current port operations in the United States now.

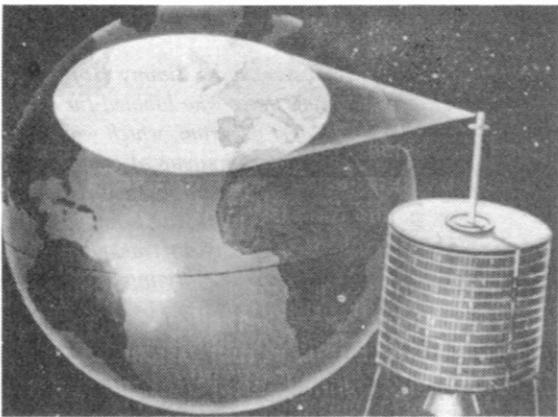
The Starport America project itself was conceived of as a first step and one vital component in a global interlocked transport system. The Transportation Data Coordinating Committee, established under the Transportation Association of America, set out to eliminate almost all the paperwork involving tens of different languages from the world’s commerce. The Committee has developed a fully computerized code language for not only track rates (that is, calculating uniform pricing for products shipped internationally where fluctuating currency scales and tariff arrangements may be extremely complicated), but to centralize billing and precise locations for all participating ports internationally.



(a)



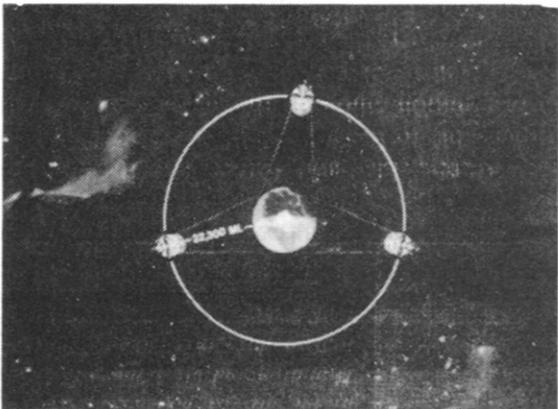
(d)



(b)



(e)



(c)



(f)

*A global system of communications satellites has been proposed as part of an international system of centrally regulated transport. A brochure by the Communications Satellite Corporation shows how the problem of sending communications across vast distances (a) is solved by satellites. The first commercial communications satellite, the Intelsat I, provided service between Europe and America (b). Now Intelsat IV satellites over the Atlantic, Pacific, and Indian Oceans provide global coverage (c). Adding earth relay stations allows television, telephone, and data communications to go over land and sea at lightning speed (d). Advanced control centers (e) keep the satellites in synchronized position. A satellite system would enable global communication of tariff rates and weather (f).*

The entire process has been proposed for implementation via satellite transmission. All told, consulting experts estimate that the implementation of the Transportation Data Coordinating Committee in the context of the Starport schema would immediately reduce transportation costs by 10 percent. In dollars, this amounts to over \$1 billion per year at present levels of cargo throughput.

Yet another application of this already on-the-shelf computer/satellite would be the coordination of all international shipments. By utilizing a worldwide chart of commodity flow, ships presently "deadheading" (traveling empty) from 20-50 percent of the time could be put into almost continuous maximum capacity use. Immediately, this would increase world shipping capacity by 30 percent—without expanding the amount of available cargo space by as much as a cubic meter.

It should be obvious on the basis of even this outline profile of the Starport America conception that the key problem to be overcome in the transportation area is *underregulation*. Only through the most sophisticated global coordination and interface of air-land-sea modes can the world transportation grid be upgraded to levels mandated by a tripling of world trade volume during the 1980s. Until such a dirigist, centralized approach is taken, even the introduction of modernized facilities and frontier technologies can have only marginal impact.

The case of the port of Seattle, Washington is exemplary.

Seattle is a 100 percent containerized port facility. It is one of the world's most efficient ports; the most efficient port facility in the United States. The recently constructed \$50 million containerized facility can handle 60 containers per day and 21,000 containers per year. The Seattle port as a whole handles over 68,000 containers per year (1978 statistics).

However, Seattle is plagued with problems over which it has no control. The inefficient interfaced transport systems—beginning with the already cited Conrail system—are notorious for "losing" containers in the unmonitored web of East Coast storage yards. This has created a dramatic shortage of containers on the West Coast, forcing the Seattle port to resort to labor intensive and time exhausting "unload-reload" methods of transferring cargo from shipside to planes, trucks and trains carrying products to final destinations. According to the most recent Department of Transportation statistics, the overall impact of this uncoordinated state of affairs is that shipping costs through the port of Seattle are *double* the rates projected by the Department of Transportation experts who worked on the Seattle port design.

A valuable counterpoint to the Seattle case is the

recent decade's success of the Southern Pacific Railroad. Southern Pacific is one of the few American rail lines that has not suffered a bankers takeover, with the consequent looting. In 1968, the management of Southern Pacific invested the modest sum of \$25 million in the installation of a computerized car tracking system called TOPS—Total Operations Processing System. It took one year to install TOPS, which coordinates the precise location and operational status of the rail line's 100,000 cars, 2,000 locomotives, and 14,000 miles of track covering 12 states. Southern Pacific reports that it has stopped costing the benefits of the TOPS program since it has already paid for itself many times over; overall freight productivity increased 40 percent under TOPS and saved the company over \$6 million in its first few years of implementation.

If the nation is to prosper, the transportation system must be placed under efficient, centralized control. A precise agenda of capital investment, computerized coordination, etc. must be set. Such advances are impossible—virtually ridiculous—under conditions of "free enterprise" deregulation. Just as the Kennedyites push deregulation as an overall economic policy of "controlled disintegration," so the city builders of America need a transportation program that flows from an overall economic plan of industrial development and scientific and technological renaissance.

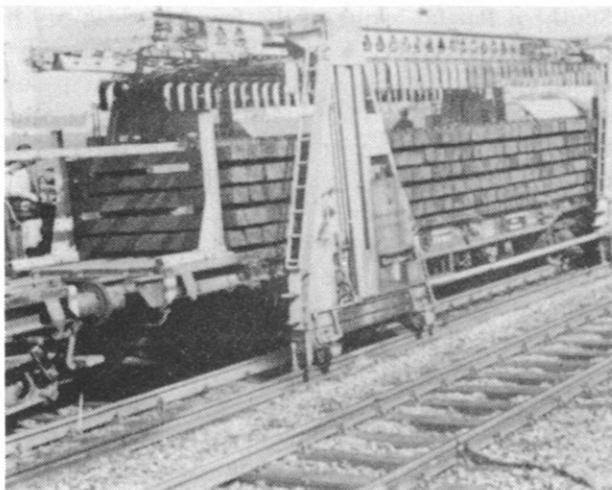
## **AN OUTLINE PROGRAM FOR SALVAGING AMERICA'S TRANSPORT SYSTEM**

The Starport America program must be seen as the core element of the nation's transportation future. Even as the Starport project goes into early phases of implementation, a series of immediate steps can be taken to upgrade the air-land-sea system at the heart of the Starport nexus.

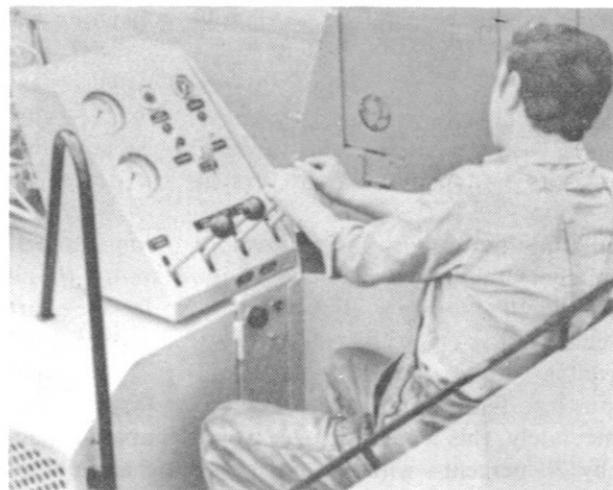
What can and must be done immediately includes:

1. Computerizing the existing terminal facilities of the railroad system on the Southern Pacific model. Industry experts estimate that such computerization of freight car location for the entire national railway system would cost roughly \$500 million. Computerization alone would produce a capacity increase of between 60 and 80 percent—double the realized improvement in the isolated case of Southern Pacific.

2. Containerizing the entire transport system. This would immediately overcome the loading-unloading bottleneck that costs billions of dollars per year. Standard sized containers can be shifted interchangeably to water, rail, motor or air carriers.



(a)



(c)



(b)

*The Geismar company in France has developed a system that enables one 25-man crew to lay a mile of railroad track a day—a technology that could be used immediately to replace the worst of the United States' decrepit rail track in just one year. The Geismar cranes take prefabricated track components (a) and lay them one panel at a time (b). Even unskilled workers can be trained quickly to use the Geismar equipment (c).*

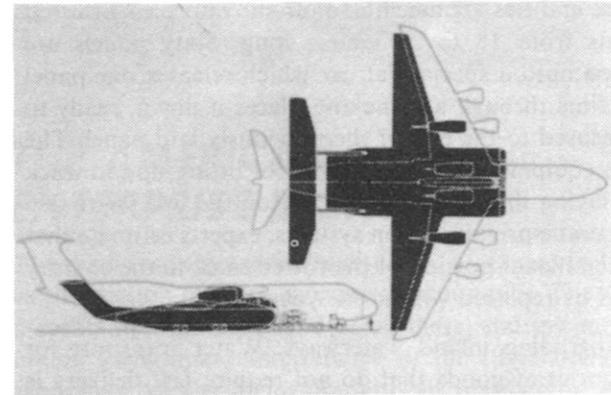
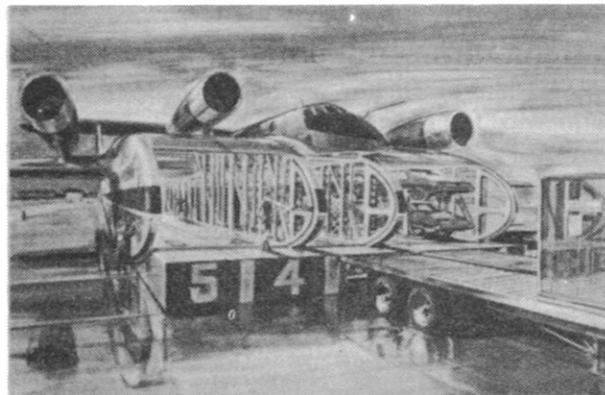
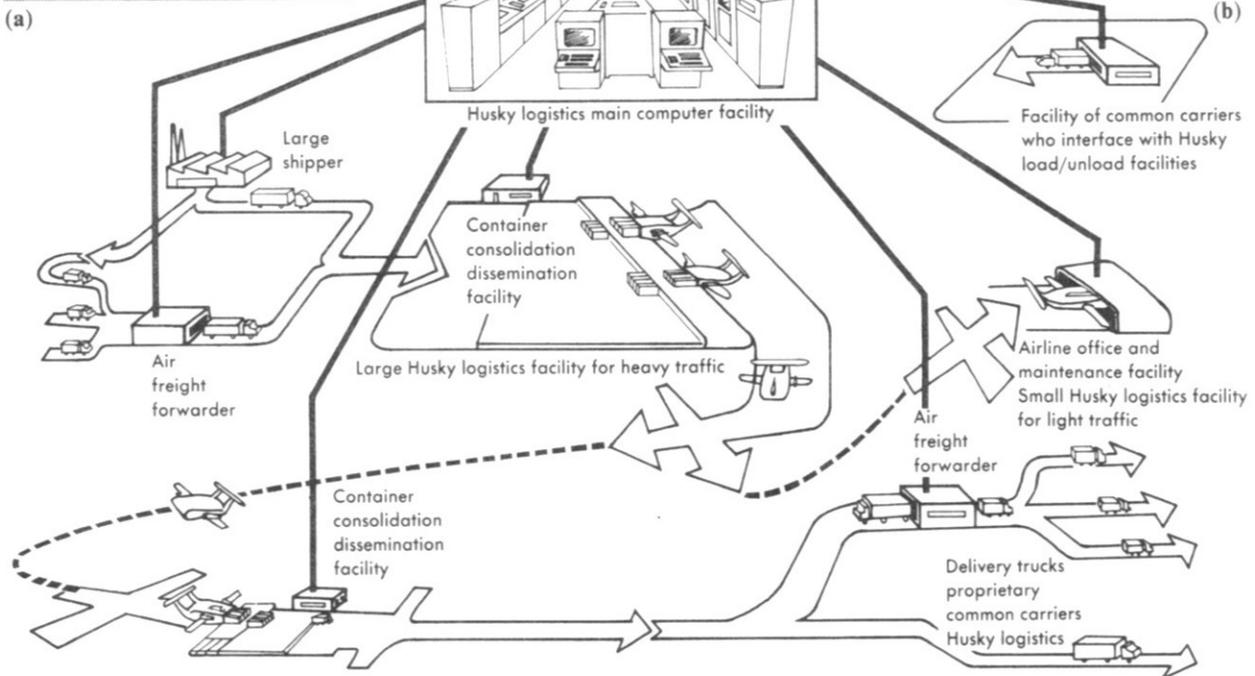
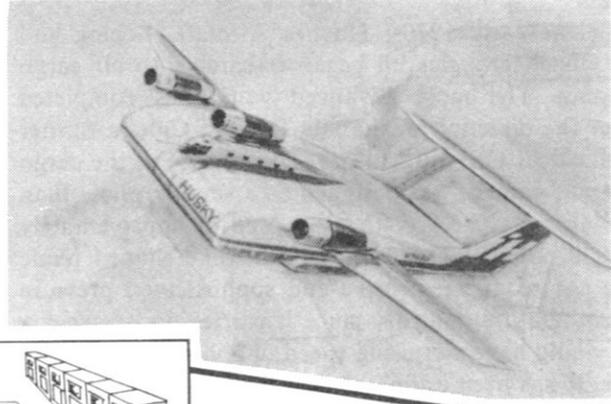
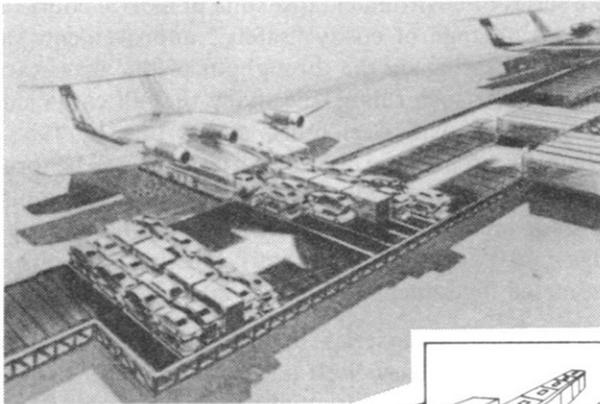
3. Increasing the production of “piggy-back” railcars (cars designed to carry the standardized containers cited in proposal 2 above) to quadruple the fleet. There are now 22,000 container cars, in nearly constant demand. Only 3,000 piggy-back cars are being produced annually. With minimal capital investment, the number of new containerized cars produced annually can be increased to 12,000. Industry experts estimate the annual cost of this production project at \$1 billion.

4. Completing the containerization of major American ports on the model of Seattle. Without full containerization, any significant increase in the volume of exports will clog up port facilities. Forty new container berths able to move 60,000 containers per year would handle the increased export load projected in the LaRouche Riemannian Economic Model; with a margin of avail-

able facilities to handle even greater export growth rates.

5. Building intermodal terminal facilities. That is the most urgent step. There are now ports—including the Port of New York—with adequate container berths to handle major increases in freight volume that lack any efficient system of dispersal *out of* the storage facilities. Access to ports from the rail and road system is a bigger bottleneck than the portside component.

6. Creating an adequate air cargo system integrated into the intermodal terminals. This is a vital step toward the implementation of the Starport America design—and a step with particularly significant applications to technology transfer into sections of the Third World lacking in transportation infrastructure. At present, air cargo is essentially limited to perishable items like



(a) Part of the air cargo system the United States urgently requires is an airplane that can efficiently carry bulk cargo. One proposal is the Husky, a plane developed by the late Edward Cole. Designed to fit into a total transportation system (a), the box-shaped Husky plane (d) would be ideal for containerized freight in a Starport-style nexus (b), linking up with truck (c) and other ground transport systems.

foodstuffs and high-valued commodities such as diamonds.

In the early 1970s, Hughes Aircraft, Boeing and McDonnell Douglas all began research into air cargo shipping. The most advanced work was completed under the direction of the late Edward Cole, a former President of General Motors. The Husky, as the cargo ship was named, was designed as a smaller plane than the military's C-5A, with a payload of approximately 285,000 pounds. The essentially boxlike shaped plane does not require expensive and sophisticated pressure or temperature controls, since it carries no passengers and would have a cruising speed of about 485 miles per hour. It has been estimated that the Husky could carry nearly unlimited ranges of bulk commodities, food supplies and heavy equipment and machinery. Such cargo could be airlifted into areas lacking in road and rail access by building temporary landing strips and flying in the necessary heavy equipment for building industrial and agricultural infrastructures. The implications for Third World development projects are tremendous. It is the consensus of both the Department of Transportation and the air freight industry that minimal effort could triple the volume of air cargo by 1990—while at the same time dramatically cutting the cost per capita of this mode.

7. Dramatically increasing the amount of rail track functioning at modern levels throughout the U.S. rail system. This means replacing the estimated 100,000 miles of track over 50 years old as well as laying track into areas not presently serviced. Technologies already exist on line that dramatically cut both the time and the cost of this project. A system has been developed in France by the Geismar company that enables a 25-man work crew to lay a mile of prefabricated track per day. Track and ties are assembled off-site into prefabricated panels from 18 to 24 meters long. Sixty panels are loaded onto a special flat car which releases one panel at a time through a crane and places it down, ready to be secured to the end of the previously laid panel. The same equipment has a capability of lifting up old track and laying the new, prefab track on the bed. With 200 such crane-prefabrication systems, experts estimate that the significant portion of the rotted track in the country could be replaced within one year!

8. Upgrading inland waterways. Water transport for categories of goods that do not require fast delivery is the cheapest form of transport by far. The Maritime Administration of the U.S. Department of Commerce estimates that \$4 billion is required to modernize and rehabilitate locks on the nation's waterways, including a \$400 million vital investment for the most-traveled lock in the system, Lock Number 26 on the Mississippi

River. A major obstacle to this immediate improvement is a series of environmentalist suits in federal court that impose a range of costly "safety" improvements that have no bearing on the throughput of the water cargo system. One such ruling, specifying that all cargo ships be equipped with steel hulls, means that by 1985, a sizeable percentage of existing cargo ships will be forced off the waters. It is estimated that any increased volume of trade immediately mandates a 50 percent increase in tugs and barges for river traffic. This represents an estimated investment of \$20 billion.

9. Constructing a series of modern deepwater port facilities on the East, West and Gulf coasts of the U.S. Deepwater ports are essential to the full realization of 250,000 ton dead-weight supertankers—perhaps the cheapest and most efficient carrier for massive volumes of foods, petro-chemicals and so forth internationally. Such supertankers cannot be harbored in the shallow waters along the immediate coastline. They require deepwater facilities, usually approximately 12 miles off the coast. The cost of this mode of transport is measured in the systems of in-port conveyance. Under present antiquated systems of loading cargo onto small harbor ships for transport to storage facilities onshore the cost and time factor are prohibitive. However, conveyor systems automatically transferring cargo directly from the supertankers to the storage facilities have been shown to dramatically cut the costs and significantly increase the speed and efficiency. Such an integrated system of deepwater port, conveyors and pipelines costs an estimated \$10 billion to construct. The Maritime Administration estimates that through the building of several such deepwater ports, the cost of such crucial bulk commodities as grains, petroleum and coal could be dropped by as much as 30 percent.

### **Immediate Implementation Required**

The crash program for creating a modern integrated nationwide transportation grid, outlined above, cannot wait for a viable administration to enter the White House in 1981. Planning must begin now if the nation is to avert an endless series of bottlenecks at the first moment that the economy is geared up.

To this end, Lyndon H. LaRouche, Jr. has proposed the formation of a national task force on transportation. The task force should include representatives of labor, industry, the scientific community and government agencies. It is time that the people who built the best part of the transportation system—like the International Brotherhood of Teamsters—stepped forward to use their knowledge for the rebuilding of the nation's transportation system, and the continued building of the United States.

# VII WHO ARE THE DEREGULATORS ?

It is a fact that trucking deregulation will ruin the United States economy, and it is a fact that those who have promoted it know that.

Deregulation is a tactic of economic warfare within the overall strategy of "controlled disintegration" put forward by the New York Council on Foreign Relations' "Project 1980s." The Council on Foreign Relations was founded as the extension in the United States of the British Roundtable—the coordinating policy body for the interests and extension of the British Empire. The Council thus functions as a fifth column of a foreign government within the highest echelons of America. It represents the same forces who want to shut down the nuclear industry in favor of cartel-controlled fossil fuels, stop the development of the Third World, and impose brutal conditions of austerity on the American population. The men who sit on the CFR represent in the United States today the hated Tory outlook of 1776: the worldview of the aristocrat who hates progress because it endangers his privileged position, the power to control and manipulate limited and closely controlled resources. The oil hoax of 1979 is their work.

If the Council on Foreign Relations is the strategic policy coordinator for the British oligarchy in the United States, the think tanks that it sponsors and directs act as the engineers of economic and social policy to carry out their "controlled disintegration."

Trucking deregulation is the brainchild of "respectable" think tanks like the American Enterprise Institute, the Brookings Institution, and the Heritage Foundation. Under pressure from American Enterprise Institute and Brookings officers like former Transportation Secretary William T. Coleman and economic advisor Paul McAvoy, the Ford administration made a half-hearted turn in the direction of deregulation. The think tanks wrote the deregulation script for both the Carter administration and for Senator Kennedy.

## **THE AMERICAN ENTERPRISE INSTITUTE**

The American Enterprise Institute was founded in 1943 as the bastion of "free enterprise" economics. The AEI presents itself as the friend of business, and the enemy of big government interference in the "free market" economy. All the major Republican presidential contenders, including John Connally of wage-controls notoriety, do homage to the temple of "respectability" in conservative economics. Most Republican Party economic program takes shape in the corridors of the AEI.

Yet, as we have seen, their economic studies on the subject of deregulation are pure quackery. AEI's heavy



volume, *Regulation of Entry and Pricing in Truck Transportation*, has become the standard textbook on deregulation, with the seal of approval of former Ford economic advisor McAvoy. Its contents are the misassertions and outright lies we have exposed one by one in the foregoing sections of this report. No one familiar with the basic facts of the motor carrier industry could draw the conclusions AEI did. The respectable gentlemen of the American Enterprise Institute are a pack of liars.

AEI's chief researcher on the subject of the trucking industry is a self-described advocate of free dope and prostitution, Dr. Thomas Gale Moore. Moore, apart from his prominent affiliation to AEI, is also the Director of Domestic Studies at the Herbert Hoover Institute of Stanford University and a member of the Libertarian Party. Here is what Moore told the New York Times about himself on July 28, 1978:

"My philosophy is libertarian. A libertarian is somebody who puts liberty and freedom as a primary goal. Usually this involves as few as possible government regulations. You should be free to smoke pot if you want to. Prostitution should not be illegal. Business should be free to make the kind of products they want and consumers should be free to buy what they want."

What must be asked of the American Enterprise Institute is, precisely what do they mean by "free enterprise?" Examining who gives them their funding and who runs their executive committees answers this question.

**AEI is run from the top by the major multinational oil companies, who want free enterprise for their own looting operations, and restrictions against their victims.**

At the top of American Enterprise Institute's chain of command is Mobil Oil Vice-President and Director Hermann J. Schmidt, who chairs the institute's Board of Policy Advisors. Backing Schmidt up is Richard J. Farrell, vice president and director of Standard Oil of Indiana. Most of AEI's lavish funding comes from Mobil and other oil companies.

The same group that cries "free enterprise" in the case of the regulated trucking industry runs the world's biggest and most dangerous monopoly. The Seven Sisters oil multinationals have just finished setting up a \$53 billion ripoff of the American public through oil price-gouging and phony shortages. Where the Seven Sisters are concerned, the American consumer is not even free to buy gasoline at the service station pump. Although the AEI claims to protect business, its controllers have launched the worst economic disaster the business community has faced in years. Through the AEI, Mobil Oil executive Schmidt hires economists who can use the mysteries of the free marketplace to explain



*The American Enterprise Institute, the primary source of the "free enterprise" end of the dereg hoax, is run from the top by the biggest monopolists of all—the oil multis. While the AEI has its dereg theoretician Thomas Gale Moore writing the script for pols like John Connally, the man who helped "deregulate" the dollar in 1971, it also advised ousted energy secretary James Schlesinger on how to sabotage U.S. energy, to the multi's benefit.*



*"Free enterprise"? Schlesinger was acting "in consultation with the American Enterprise Institute" when he imposed the phony oil shortage on the United States.*

how the world can produce 5 percent more oil in the first three months of 1979 and end up with 8 percent less gasoline.

A favorite of the American Enterprise Institute is Energy Secretary James Schlesinger, the co-conspirator of the oil multinationals in the Carter Administration. In a June 5 speech, Schlesinger justified his sabotage of American energy supplies, including diverting 15 percent of U.S. oil supplies into salt domes, on the basis of Malthusian economic doctrine—the doctrine of zero growth. For the record, Schlesinger said that he manages America's energy policy "in consultation with the American Enterprise Institute," that is, with the big oil companies.

The oil swindlers behind AEI make no secret of their intentions. Indiana Standard Chairman John Swearingen told a nationwide television audience June 3 that the price of oil must rise to \$25 a barrel, in order to make coal-based synthetic fuels "profitable." In other words, oil prices must almost double their last year's level in order to make the oil companies' gigantic investment in billions of tons of coal reserves pay off. His subordinate, Farrell, as noted, sits on AEI's board.

In no sense are the major oil companies American companies. For the last 50 years, the American members of the Seven Sisters cartel have been tentacles of the

international oil cartel formed at Achnacarry Castle in Scotland in 1928 at the behest of Royal Dutch Shell and British Petroleum. Under the leadership of British aristocrats and merchant bankers who control Shell and BP, the oil companies meet each month at the top floor of the Shell headquarters on the south bank of the Thames River in London. Together, they plot the course of world energy supplies on Shell's computers. Both the 1973 and the 1979 oil hoaxes hatched in this building.

The nominally American members of the cartel are, in fact, bitter enemies of the American System of economics. Since Alexander Hamilton's 1792 *Report on Manufactures*, the basic tenet of American economics has been that wealth is created by productive labor. To Hamilton, Lincoln, and their successors, the **productivity of labor is the measure of wealth.**

But the oil companies operate on the feudal principle that wealth is based on scarce resources that may be hoarded and manipulated. To them, "free enterprise" is the freedom to get away with such manipulations. Rather than support the supersession of oil by advanced technologies like nuclear power, the oil companies try to constrict energy supplies. Rather than move ahead to nuclear, they have poured billions into coalfields, hoping for energy scarcity and a step backward to the

coal-based technologies of the 1930s or the costly and inefficient synthetic fuels techniques first adopted by the Nazis.

### **Eli Lilly Endowment**

Another founder of the AEI deeply involved in the deregulation operation is the Eli Lilly Endowment of 2301 North Meridian Street, Indianapolis, Indiana. The Eli Lilly Corporation, which set up the Endowment, is represented on AEI's board. The Endowment represents one of the most blatant cases of a tax exempt institution serving as a financial conduit into a range of terrorist and cult organizations of both an extreme "left-wing" and "right-wing" profile. The Endowment is the second largest foundation in the United States, providing an average of over 300 grants per year. A sizeable proportion of these grants go to such "conservative" research institutes as the Foreign Policy Research Institute (\$100,000 per year), Freedom House (\$125,000 per year average since 1974), and the International Association for Cultural Freedom (average \$300,000 per year). Among the other major recipients are the Trilateral Commission (\$300,000 per year average), the Rand Corporation (\$128,000 in 1975 alone) and the Council on Foreign Relations (\$350,000 in just one block grant in 1974).

Lilly Endowment simultaneously provides the bulk of the financing for such terrorist operations as:

- American Friends Service Committee—the Quaker action organization that has recruited and deployed the bulk of the environmentalist movement in the United States; and has been identified as one principal organizing and support vehicle behind the George Jackson Brigade and the FALN (Armed Forces for National Liberation).

- Youth Project, Inc.—a funding conduit through which every New Left terrorist operation in the United States has been run since its creation in 1970. Youth Project, Inc. provided all of the funds for the CounterSpy/Fifth Estate group, a collection of former intelligence operatives working closely with British intelligence in coordinating the activities of the Baader-Meinhof gang of West Germany, the Red Brigades in Italy, and the George Jackson Brigade and FALN in the United States. CounterSpy editor Philip Agee published the names and addresses of CIA agents stationed abroad in December 1975 that led to the terrorist assassination of Athens station chief Richard Welch.

Key among the Lilly Endowment's directors is Richard D. Wood. Wood is a board member of the American Enterprise Institute and a director of the Lilly Corporation. He is also a director of Standard Oil of

Indiana, Chemical Bank, and the Committee for Economic Development, a University of Chicago-founded think tank.

## **THE BROOKINGS INSTITUTION**

From the "liberal" side of politics, the big proponent of deregulation is the granddaddy of all the Washington think tanks, the Brookings Institution. Brookings' current chairman is New York banker Robert Roosa, whose credentials include an oil company directorship (at Texaco) and responsibility for the economics side of the Council on Foreign Relations' "1980s Project." In fact, Brookings could claim authorship with the Council on Foreign Relations of the entire scheme. Brookings staffers who worked on the "controlled disintegration" plan include C. Fred Bergsten, Brookings economist since departed for the U.S. Treasury; Brookings chief economist Charles Schultz, now chairman of Carter's Council of Economic Advisors; and Henry Owen, head of foreign policy studies at Brookings before joining Carter's State Department.

Brookings itself was created in 1912 by a British aristocrat, Lord Brice. Lord Brice was a member of the executive body of the British aristocracy, the Roundtable. The Roundtable's perspective was to re-form the British Empire through infiltration of former colonial dominions.

Brookings became involved in "cost effectiveness" studies of transportation regulation in the late 1960s. Its findings were published in 1969 in a book by Ann Friedlander, "The Dilemma of Transportation Regulation"; Brookings had concluded that all transportation sectors—motor freight, rail, air, and water—should be deregulated as quickly as possible. It targeted the decade of the 1970s as the "decade of deregulation." Kennedy's staff took the recommendations, made some minor changes, and turned them into the "blueprint" for the current deregulation offensive.

An updated report appeared in 1975, while several other documents were issued to prepare Congress and the government to accept first airline deregulation and then trucking deregulation. Simultaneously, Brookings director William Coleman, then Secretary of Transportation, began to introduce the Brookings deregulation policy into the DOT; policy planning personnel put out reports supporting Brookings's arguments, especially on trucking deregulation. The policy papers were published later by the American Enterprise Institute.

From 1975-1977, major attention was focused on passing airline deregulation, as a foot-in-the-door for motor freight dereg.

Besides Chairman Robert Roosa, a partner of the Anglo-American investment bank Brown Brothers Har-



*The "liberal" rationale for dereg is provided by the granddaddy of the Washington think tanks, the Brookings Institution. Under its current chairman, Robert Roosa (l.)—also a director of Texaco and a Council on Foreign Relations policymaker—Brookings is pushing to make the 1970s the "decade of deregulation." It was Brookings director William Coleman who first introduced Brookings' dereg policy into the Department of Transportation during his tenure at its head.*

riman, Brookings Trustees represent the cream of the London-New York financier community. They include C. Douglas Dillon, a founder of Dillon, Read; William McChesney Martin, the former chairman of the Federal Reserve System; and Gerard C. Smith, the North American Secretary of the Trilateral Commission. One Brookings trustee deserves special mention: former Defense Secretary Robert S. McNamara. From the Pentagon, where he popularized the notion of body count, to the World Bank, where he practices body count economics, McNamara personifies all the qualities that led Brookings to formulate the policy of trucking deregulation.

## **THE HERITAGE FOUNDATION**

Another Mobil Oil company front which plays a prominent role supporting trucking deregulation is the Heritage Foundation. Mobil's Hermann J. Schmidt set up the Heritage Foundation with a substantial grant in 1975, with some secondary funding support from Coors Beer.

The Heritage Foundation is the main American center for promulgation of British Prime Minister Margaret Thatcher's fascist economic policies. Officially, Heritage is a branch of the Thatcher government's official London think tank, the Center for Policy Studies. The foundation's director of research, Robert L.

Scheuttinger, is a fellow of the Center for Policy Studies, reporting to Sir Keith Joseph, the new British labor minister and an unashamed advocate of selective breeding policies for the British population.

Three other prominent members of the Heritage Foundation's Board of Trustees, Robert Moss, Julian Amery, and Winston Churchill III, are British intelligence operatives of the extremist Tory faction. Amery, a member of the elite British Roundtable, has occupied a top post in Britain's MI-6 foreign espionage organization since his World War II days in the Special Operations Executive. Moss, an advocate of nuclear confrontation with the Soviet Union in his weekly columns in the pro-Tory London Daily Telegraph, edits the London Economist Foreign Report, an open front for British intelligence. All these men are advisors to Thatcher.

Margaret Thatcher has already shown what the Heritage Foundation wants. Gasoline prices in Britain have just risen to \$2.10 a gallon; interest rates have risen to 14 percent; government subsidies for industry have been eliminated; and the entire British nationalized industry will be put on the auction block and sold off to speculators. Under the Tory government, and with the blessings of the Heritage Foundation, the British population is now subject to a degree of austerity not seen even during the 1930s. When economic fakers like Thomas Gale Moore propose trucking deregulation on the grounds that it has "worked" in Britain, they present only one part of an economic package they

want to import from the ravaged British Isles. Britain is the one major industrial country where the progressing feudal aristocracy has had its way for generations. It has become the world's experimental laboratory for economic retrogression. This is the model the Heritage Foundation proposes to bring to the United States, through the medium of "deregulation."

If American laws were strictly applied, most of the leading spokesmen for these institutions would have to register as agents of foreign nations. In fact, they do not owe allegiance to the United States, but to the organizations of the British and old European aristocracy—to the enemy of our nation since 1776. The most important of these institutions is the Mont Pelerin Society.

## **MONT PELERIN SOCIETY**

The Mont Pelerin Society is the semisecret, foreign-headquartered gang of feudal aristocrats that controls the American "free enterprise" think tanks. Milton Friedman, the chief economic advisor to the American Enterprise Institute, is the president of the Mont Pelerin Society; his University of Chicago fellow "monetarist" George Stigler, is the society's vice-president. Friedman gained notoriety as chief theoretician and advisor to the bloody-handed Pinochet dictatorship in Chile. Fried-

man is also an unashamed admirer of Nazi finance minister Hjalmar Schacht, the man who built the "economic miracle" of World War II and Auschwitz. The entire leadership of the Heritage Foundation are members of the Mont Pelerin Society.

Sir Keith Joseph, the evil brains behind the Thatcher government, leads the British branch of the Center for Policy Studies. Sir Keith Joseph is Friedman's chief publicist in Britain, as well as an admirer of the Mont Pelerin Society's most prominent economist, Friedrich von Hayek. Now an octogenarian, von Hayek still gives speeches endorsing the Chilean dictatorship.

On the European continent, the Mont Pelerin group is led by names from the gravestones of the dark ages. The world chairman of the Mont Pelerin Society, Baron Max von Thurn und Taxis, heads the remnants of one of the oldest Holy Roman Empire families. The brains of the society in Western Europe is the pretender to the throne of the defunct Austrian Empire, Otto von Hapsburg. Otto von Hapsburg was recently elected to the European Parliament; he is the head of the Pan-European Union, the official "restorationist" political grouping in Western Europe, the advocates of destroying the republican system of government in favor of a return to monarchies. Hapsburg's relative, Archduke Robert of Austria, is another prominent Mont Pelerin Society member.

Milton Friedman is walking proof that the Mont Pelerin Society and its sub-branches among the "free enterprise" think tanks have no common interest with

*The Heritage Foundation wants to see the "British model" imposed on the United States—particularly deregulation. Acting on orders from British Prime Minister Margaret Thatcher and her labor minister Sir Keith Joseph (l.), the Heritage Foundation, with trustees like Tory Winston Churchill III, should by rights be registered as an agency of a foreign government.*



the United States. For a brief period, Friedman was influential in American economic policy, until President Nixon threw him out in 1970, after Friedman's economic policies had almost thrown the United States into depression.

According to his own testimony, Friedman's admiration goes not to the United States economic system, but to three countries: Chile, Israel, and Hong Kong. Chile became a monstrosity under Friedman's guidance. With 40 percent unemployment, a 50 percent reduction in living standards, and the disappearance of tens of thousands of Chilean citizens into the torture-chambers of the secret police, Friedman boasted that his students in Santiago had "solved the inflation problem."

After Chile, Israel is perhaps the world's next worst economy. Friedman became the official economic advisor to the Begin government when it took office in April 1978. Israel is the country with the highest inflation rate, the highest tax rate, and the highest level of government debt per capita in the world. The Israeli pound's value against the dollar has fallen from 3.5 pounds to the dollar ten years ago to 25 pounds per dollar today, with new devaluations almost every day. Taxation rates for the average citizen are in the 70 percent range. Even Britain does not rival Israel's sharp falloff in living standards over the past year.

But what reveals who Milton Friedman and the Mont Pelerin Society really are is their admiration for the British Crown Colony of Hong Kong. In September 1978, the society, under Friedman's chairmanship, held

a secret meeting in Hong Kong. Friedman proclaimed the Hong Kong economy the world's model of "free enterprise," and announced that the society's objective would be to impose the Hong Kong model on the rest of the world. Among other things, Hong Kong is the capital of the world's illegal opium trade, as documented in the bestselling paperback, *Dope, Inc.* Friedman did not comment on the fact that the colony's \$5 billion money supply handles a \$10 billion annual flowthrough of narcotics money, about 40 percent of which goes to the dope peddlers of the People's Republic of China, nor that Hong Kong's police force receives an estimated \$1 billion a year in bribery.

## THE CASE OF MICHAEL PARKHURST

If the policies of fascist economic austerity are formulated by the think tanks and their sponsors at the top, what is required to impose those policies is a battering ram composed of the dregs of society at the bottom. That was the function of Hitler's Nazi stormtroopers and brownshirts; that was the role played by Mussolini's blackshirts; today that is the role of Michael Parkhurst and his independent truckers "movement."

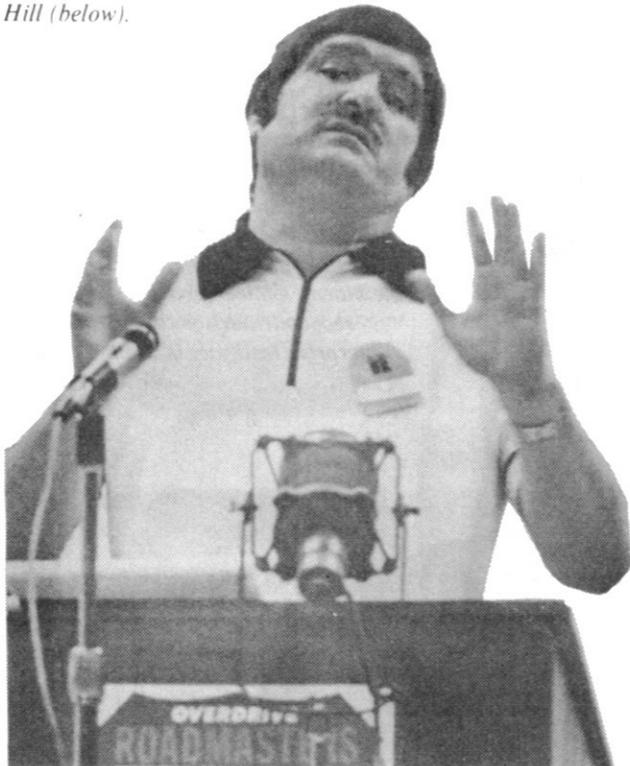
Parkhurst admits that he marches in the tradition of Hitler, Mussolini, and Pinochet. In an October 1973

*Behind the "free enterprise" think tanks in the United States is the semisecret Mont Pelerin Society, which looks to Chilean dictator Pinochet and Nazi Finance Minister Hjalmar Schacht as its heroes. Oligarch Otto von Hapsburg is the brains of the Society's European branch; Milton Friedman, architect of the bloody Chilean economy, and chief economic advisor to the American Enterprise Institute, is Mont Pelerin's president.*





The shocktroops for fascist economic austerity are Mike Parkhurst, his independent truckers' "movement," and the supposedly rival FASH gang of Bill Hill (below).



editorial in his magazine, *Overdrive*—just months before the independents launched their first nationwide strike—Parkhurst reported that the fascist coup in Chile could only have occurred with the help of Chilean (CIA-funded) independent truckers who shut down the country. Parkhurst recommended that American independent truckers create a Chile in the United States.

"Where is the Spirit of '76 in American truckers?" Parkhurst challenged his followers. "Why can a country like Chile overturn an entire government because the truckers—the owner operators—decide to do something about it?"

Like Hitler and Mussolini before him, Parkhurst is no independent but a tool of the top. The son of a *Newsweek* investigative editor, Parkhurst's independent truckers movement got its real start when it relocated from Philadelphia to Los Angeles in 1963—at the same time that Robert Kennedy's Organized Crime Strike

### "Then You Have a Chile Here"

"Our intention is to force the government to bring out the troops. ... The army plans to seize our trucks. ... If that happens, there will be a real bloodbath."

Jim Drinkhall

"Let's say some kind of depression happens in the next few months. ... Things keep getting worse; people lose their jobs, maybe impeachment fails by a vote or two; Nixon and the government have lost respect. ... The truckers go on strike. It takes about 10 days before the effects are felt. People will get hungry. There will be no food because the railroads have collapsed. Truckers are uptight. The government tries to move in the army. Then you have a Chile here—just like in a book."

Mac Vernon,

*Overdrive* sales manager

April 17, 1974

"The American worker is too fat. He could eat a little less so that we could get more."

Michael Parkhurst

April 1974

"The independent is like an animal. He has an animal's rage. We are the low life rising up against a greedy society."

Michael Parkhurst

April 1974

Force was framing up Teamsters on charges of corruption. The little journal *Overdrive* suddenly became a slick, glossy magazine filled with advertisements of trucks draped with bosomy blondes.

As the magazine's advertisements themselves indicated, Parkhurst had received and continues to receive massive injections of funding from the Paccar Corporation. On Paccar's board sits John McCone, then CIA director, and a member of the New York Council on Foreign Relations. The independent truckers movement was launched.

Another consistent conduit of funds to Parkhurst, as denoted in the magazine ads, is Cummings Engines, on whose board sits J. Erwin Miller, also a board member of the Eli Lilly Endowment.

With the move to California, Parkhurst had also been placed right in the middle of the CIA's MK-Ultra project, which began the mass dissemination of psychotropic drugs through the American population. From its early experimental days, the project fanned out to such activities as mass distribution of LSD to unsuspecting rock concert crowds in San Francisco, and the synthesis of artificial kook cults like the Jim Jones' Peoples Temple. Parkhurst uses the same methods of social control as the rest of MK-Ultra's offspring. His farm in California—called Road Mansion—is report-

edly the scene of homosexual sessions and psychosexual manipulations used to select the core of Fieldmarshal Parkhurst's commandos.

The first object of Parkhurst's *Overdrive* was to act as a flank against the International Brotherhood of Teamsters. *Overdrive* was founded in 1961, when the "Get Hoffa" Strike Force was first organized. Before extolling the virtues of the Chilean coup, *Overdrive's* editorial policy focused on diatribes against the Teamsters, written by Parkhurst's lieutenant Jim Drinkhall. Drinkhall received money from the Fund for Investigative Journalism, an offshoot of the Kennedy-linked Institute for Policy Studies, to produce "studies" on the Teamsters.

The Institute for Policy Studies was founded in 1963, with monies from the Rothschild and Warburg banking families, by two staff members of the U. S. government's National Security Council, serving under McGeorge Bundy. Its task was to function as the American sub-branch of the British "socialist" Fabian Society. IPS is the "mother" of terrorists in the United States—with pay stubs in the public record—ranging from the Weathermen to the more recent environmentalist terrorism. The Institute for Policy Studies has supplied a ready fascist base—like Parkhurst—for the Kennedy machine.



*Backing these not-so-independents with advertising revenues and other support are the Paccar Corporation, whose board includes CFR member and former CIA director John McCone, and Cummings Engines, whose board interfaces with the terrorist-linked Eli Lilly Endowment.*



*Independent truckers' leader Parkhurst cites Chile as his model—and his Council on Foreign Relations backers see his "movement's" disruptions as a pretext for a military takeover along the lines drafted in 1974 by Henry Kissinger and Alexander Haig.*



*A truckers' strike financed by David Rockefeller's Council of the Americas helped bring butcher Pinochet to power in Chile, and with him the fascist economics of Milton Friedman.*



In 1967, Parkhurst used the opportunity of a steel-haulers wildcat in Cleveland to march in, prolong the strike, and form the breakaway Fraternal Association of Steel Haulers (FASH). This summer, FASH, which likes to quarrel with Parkhurst publicly, ran the national trucking shutdown of the highways side by side with him.

In 1971, Parkhurst joined the ethereal Ralph Nader to sponsor a conference on "Trucking Safety." Out of this union emerged the Professional Drivers or PROD, the gang of "dissident" Teamsters that has tried to wreck the union from within.

Since 1973, when he ran his first national trucking strike, Parkhurst has marched his enraged truckers against the nation itself. His model is Chile.

The Chilean "independent truckers" movement was heavily financed by David Rockefeller's Council of the Americas. In testimony delivered before the Senate confirmation hearings for Secretary of State Cyrus Vance, former U.S. ambassador to Chile Edward Korry identified this decade-long funding of escaped Nazi war criminals (running the Chilean trucking industry) as the central feature of preparations for the bloody coup d'état that overthrew the Allende regime in September 1973.

Likewise, in 1973, in the midst of the first Great Oil Hoax, Parkhurst centrally deployed his truckers to shut down the nation's highways—and nearly succeeded in provoking the military takeover of the United States.

In response to the truckers stoppage, then-White House Chief of Staff Alexander Haig and then-National Security Chief Henry Kissinger drafted plans through the Office of Preparedness to militarize the entire national transport system and institute vast emergency powers over the entire nation.

According to an official spokesman for the Federal Emergency Management Administration (FEMA), the agency empowered by Congress to assume national power under an emergency, Haig's 1974 "Draft Action Plan In Response to a Nationwide Truck Work Stoppage" is *still operational* as Parkhurst's independents jam the country's highways.

Parkhurst's primary backer, Paccar's John McCone, is also a member of the board of SoCal, whose domestic distributor Chevron Corporation released a memorandum June 25 proposing that the government be placed under a national emergency dictatorship by September 1979.

But Parkhurst's foremost partner in waving the bloody flag of Pinochet is Senator Edward Kennedy, who as the featured speaker at the 1979 Overdrive conference gave the Fieldmarshal the signal to hold the nation's highways for ransom.



## **SENATOR EDWARD KENNEDY**

More than any other contender for the U.S. presidency, Senator Edward Kennedy likes to talk about the interest of "the People." To be specific, Kennedy wants to defend the people against the alleged corruption of the International Brotherhood of Teamsters, the alleged greediness of the hospital system, and the "anachronism" of the Constitution of the United States.

For all these pretensions, it was Senator Kennedy who marched to the White House on May 25, 1979, and demanded that the Carter Administration pay \$5 to the oil multinationals for every barrel of oil they import into the United States! Kennedy succeeded, and the oil cartel began to receive a subsidy out of the taxpayers' pocket.

Apart from this extraordinary recent pitch on behalf



*Ted Kennedy was responsible for one death at Chappaquiddick. Arrested for that crime (left), but then let off, he's now seeking the deaths of millions through his policies of sabotage against any form of economic progress.*

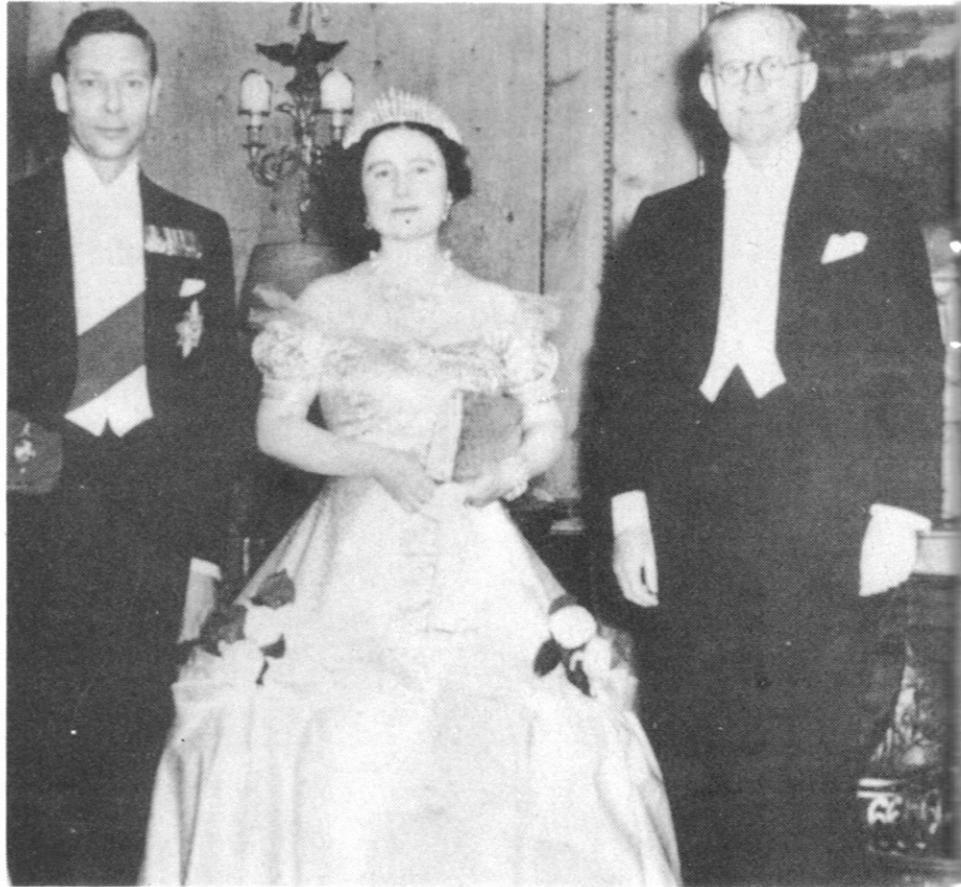
of the oil cartel and his passionate advocacy of transport industry deregulation,

1. Kennedy is the sponsor of the little-known Project '87, a plan to revise the Constitution of the United States. According to Kennedy's description of this plan, the American Constitution is too inflexible to absorb new programs like Kennedy's. Instead, America should run on the British parliamentary system, which has no stated commitment to the principle of progress, and under which the British monarchy can, literally, get away with everything.

2. Kennedy is the sponsor of S. 147, a bill to overhaul the U.S. criminal code, eliminating basic provisions of

the Bill of Rights. S. 147 explicitly permits police-state tactics against the labor movement.

3. Kennedy is the sponsor of a bill which would soak taxpayers for tens of billions of dollars, in return for drastically reduced health care. His application of the British principle of "nationalized" medicine is allegedly designed to protect the population against "expensive health care." However, Kennedy proposes to reduce costs by eliminating new medical technologies such as "unnecessary" scanners and kidney machines, reducing investment in hospital facilities, and scrapping "surplus" hospital bed space. This is the first time in American history that federal legislation has thrown out the principle of *improving* health care in favor of reducing costs.



*Bootlegger Joe Kennedy was turned into a dynast of the British aristocracy's American wing, dating from his days as U.S. ambassador to the British throne in the 1930s (right, Kennedy with the King and Queen).*

4. Kennedy is the fiercest proponent of “regulation” over the nuclear industry, arguing in Congress for the shutdown of America’s nuclear-generated electricity supply and supporting the repeal of the Price-Anderson Act through which government backs insurance for nuclear power generators. Kennedy sent greetings to the May 6 “greenie” march on Washington led by Jane Fonda. Kennedy’s current proposal is a moratorium on new nuclear plant construction.

5. Kennedy is a leading Senate sponsor of legislation to decriminalize marijuana—a measure which, enacted on the state level in New York and California, has led to a doubling of school-age drug use.

There is a consistent element to all of Kennedy’s crusades on behalf of “the people.” He is not for or against “regulation” of anything. Whenever regulation is directed *toward* economic progress, as in the case of motor transport, Kennedy is against it. Whenever regulation is directed *against* economic progress, as in the case of the environmentalist attacks against the nuclear industry, Kennedy is for it. In fact, the essence of Kennedy’s political behavior is not dedicated to any principle but to the service of the British crown.

Since his days as a bootlegger, Papa Joe Kennedy was cleaned up and groomed to serve as the American dynastic wing of the British aristocracy. The family’s personal fortune—whose books remain closed to the public eye—has been personally managed by Andre Meyer, first of the banking house of Lazard Meyer and now a partner with Felix Rohatyn at the New York branch of London’s Lazard Freres.

A two-bit racketeer, Joe Kennedy was propelled to the top under the auspices of the British aristocracy. Even the fortune he made from bootlegging is owed to the franchise he was awarded by the Lords Dewar and Haig to bring British whiskey into the United States under Prohibition. Papa Joe reached the pinnacle of his own career when he was appointed U.S. ambassador to the Court of St. James. In Britain, Papa Joe quickly became an embarrassment to the United States government. He became a member of the Cliveden Set of Lady Astor, whose overriding concern was British support for the Nazi regime of Adolf Hitler.

To bind his ties to the British imperial families, Kennedy married his eldest daughter Kathleen to William Cavendish, son of the Duke of Devonshire.

He sent his two sons John and Joseph, Jr. to study



*The Kennedy vendetta against Jimmy Hoffa and the Teamsters, beginning with John and Bobby's stint with the Senate Racket Committee in the 1950s, drew headlines. But the Kennedys' long-standing tie-ins to the worst of organized crime were carefully concealed.*

at the London School of Economics under the direction of Fabian Society executive member Harold Laski. John wrote his Harvard graduate thesis—an apologia for British support for the Nazis called “Why England Slept”—under the tutelage of John Wheeler-Bennett, the director of the Royal Institute of International Affairs.

Ever since the days that Papa Joe joined with the Newark, New Jersey bootlegger and accused murderer Joseph Reinfeld to form the Reinfeld Syndicate in the 1920s, the Kennedys have maintained their lucrative ties to organized crime, to the criminals which the Labor Party's book *Dope, Inc.* shows do the dirty work for the British \$100 billion dope cartel. Kennedy's endorsement of marijuana decriminalization underscores the point.

And when the Kennedy family moved into the White House, organized crime moved in right along with it—right into the Justice Department, right into the Organized Crime Strike Force. Walter Sheridan and his “Terrible Twenty” went after the Teamsters, but look at where his crimefighters have wound up. As *Dope, Inc.* documents the story:

Henry Peterson of the Kennedy Justice Organized

Crime and Racketeering Division joined Max Jacobs' Emprise Corporation, an outfit that has changed name several times to escape indictments for dirty money laundering and other criminal activities.

His boss William Hundley and Robert Peloquin of the Criminal Division now sit on the board of International Intelligence (Intertel), the crime clearinghouse and murder bureau of top mobster Meyer Lansky. Also working for Intertel is its vice president Thomas Meehan, of Kennedy's Crime Strike Force. Horace Webb of the Public Informational Services Division is the public relations man for one of Emprise's successors, Sportsystems. William O. Bittman, prosecutor for the Justice Department against Jimmy Hoffa, also joined the board of Sportsystems.

The honorable senator himself received a chunk of his 1976 campaign money from Joseph Linsey, a partner of Meyer Lansky in International Airport Hotel Systems, Inc.

These are the associations of the man who cries “Corruption!” against the Teamsters.

Ted Kennedy is a liar and faker: deregulation hands this country over to the criminals who run him and the low-life he has been groomed to protect.