

Samuelson, who announced for the chairmanship late, after the Democratic National Convention in August, said his campaign was based on bringing together "the Alliance of Producers who represent the constituencies of the Democratic Party—in agriculture, among entrepreneurial businessmen, minorities and labor."

Producers' alternative

Samuelson's candidacy was quickly endorsed by the Moderate Conservative grouping of the Democratic Party, who had been backers of former Texas Governor Dolph Briscoe. The Modcons, as they are called, looked at Samuelson's candidacy as the way to reestablish the emphasis on economic production and a delivery system which gets the benefits of an "expanded pie" out to the different constituencies which had been traditional in the Texas Democratic Party.

Despite his Moderate-Conservative support, Samuelson was squeezed out by poor convention attendance, a rule change that prevented continuous balloting, and the refusal of the nominating committee to place his name in nomination. Observers in Austin said that the muscle against Samuelson was evidently ordered by the White House and enforced by the Democratic National Committee.

Embarrassments and prospects

While Slagle won the election by presenting himself as more conservative than Luther Jones, the 31-member nominating committee run by Texas AFL-CIO head Harry Hubbard blocked Samuelson's nomination by committee and forced it to come from the floor. Hubbard had delivered the AFL-CIO endorsement to Slagle.

Passage of the resolution to repeal the sodomy law in Texas is regarded as a major embarrassment to the Democrats. Slagle had said that while he supports gay rights, he would not put the party on record for repeal of the sodomy law.

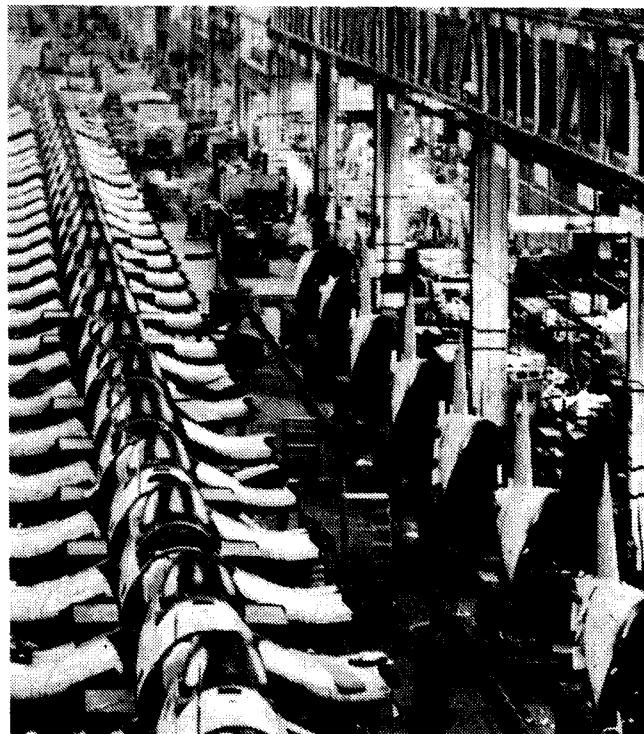
Although 3900 delegates to the June State Party Convention had voted 2-to-1 against it, current Texas Democratic Chairman Billy Goldberg allowed the vote to be taken with fewer than 400 delegates present.

Other resolutions on nuclear energy, reindustrializing the U.S. economy, and against Brilab and Abscam-style federal indictments failed to get out of committee.

Samuelson announced that he has joined the Advisory Committee of the National Democratic Policy Committee, a think tank to provide policy analysis to Democrats which is headed by former candidate for the Democratic presidential nomination, Lyndon H. LaRouche, Jr. Samuelson predicts that the "Alliance of Producers" will rebuild the Democratic Party because these are the policies endorsed by the party's constituencies.

MILITARY POLICY

'Small is ready'



U.S. Corsair fighter planes.

ENERGY MANAGEMENT

Recalculating the oil crisis threat

Top administration officials have been forced to admit over the past several days that under the current circumstances the fighting between Iran and Iraq has not caused any major crisis in U.S. oil supplies and is not likely to do so unless there is a major expansion of the war, including expansion to other oil producing nations. Energy Secretary Charles Duncan stated bluntly Sept. 30 that oil supplies are plentiful and "under present circumstances the situation is manageable."

Duncan met with executives of the nine major oil companies over the weekend. He indicated that there was agreement between the Carter administration officials and the oil company executives that "with continued

There no longer exists any doubt that as a result of 15 years of domination of anti-industrial policies, the United States lacks the industrial defense capability—even should the order be given tomorrow—to launch an in-depth military buildup approximating the kind witnessed during World War II or the Korean War. The facts documenting the loss of what was termed during the Second World War “industrial surge capability” are emerging in a series of hearings conducted by the House Armed Services Committee.

At the same time, newspaper editorials around the country began to propose a “small is ready” policy for the armed forces, cutting quantity in order to improve quality.

The hearings, which began on Sept. 17, have paraded a “Who’s Who” of America’s defense and aerospace corporate leadership before the full committee, chaired by Illinois Democrat Melvin Price and subcommittee chairman Richard Ichord of Missouri.

The disclosures made in the testimonies speak for themselves. The first to testify was Harry J. Gray, chairman and chief executive officer of United Technologies, leading manufacturers of jet engines, helicopters, advanced radar and command and control systems, and solid rocket boosters for our ICBMs. Gray minced no words:

If there were a national emergency today, I seriously doubt that our nation could mobilize its industri-

restraint we should be able to maintain a high degree of stability in the international oil market.”

On Sept. 26, the Energy Department reported that the nation’s oil stocks were at an all-time high. Duncan said that the oil companies that he had contacted had all agreed to “exercise restraint” in actions that might “increase prices unnecessarily in the spot market.”

The same day the head of the International Energy Agency, Ulf Lantzke, announced that the current fighting between Iran and Iraq posed no serious problems to world oil supplies.

Earlier, at hearings last week in the Senate Government Operations Subcommittee on Investigations, Deputy Energy Secretary John Sawhill declared that the current supplies of oil gave the United States a cushion against major price hikes or supply shortages. Nevertheless, Sawhill took the opportunity to press for a cut in energy consumption. White House press spokesman Jody Powell Sept. 26, also admitted that “there is no reason for any rapid escalation of prices or concern about tremendous shortfalls based on any experience over the past few days.”

Various Washingtonians, however, are using the current Middle East crisis as a justification for demanding

al base in time to make an appreciable difference in sustaining a war effort. It might take *as much as two years* before we’d see any real increase in production of war materiel. And that’s an optimistic estimate. . . . [emphasis added—ed.]

America’s defense industry—particularly the aerospace segment of it—is already working at virtually full capacity. Factories are full and backlogs in many cases are at record levels.

The Carter administration’s role in the process of industrial-defense capacity devastation was developed in the testimony given the next day by Allen E. Puckett, chairman and chief executive officer of the Hughes Aircraft Company:

There are those who have recently expressed the opinion that the [defense] prime contractor level and that the problems are concentrated only in the lower tiers of the industry. . . .

I do not believe such analysis leads to a correct conclusion. . . . Financial results of prime contractors for the years 1978 and 1979 are not representative of the financial performance that can be expected in 1980 and future years. The rapid acceleration of inflation and the unprecedented run-up of interest rates both occurred late in 1979. . . . Their impact for a full year will be substantial for contractors at all levels. . . .

that the United States gear up its energy emergency apparatus. The weekend before their hearings with oil company executives, the House Government Operations Subcommittee on the Environment, Energy and Natural Resources chaired by Cong. Toby Moffett (D-Conn.) issued a report on the capability of government agencies to implement the Emergency Energy Conservation Act. The act provides for gasoline rationing and mandatory state-imposed conservation programs in a crisis.

The Senate Government Operations Subcommittee, headed by Republican Charles Percy of Illinois, has also been looking into the readiness of the federal government for an oil crisis. The subcommittee called Sawhill to testify last week on this. Despite Sawhill’s assurances, Percy declared that the Iran-Iraq crisis will lead to \$100-a-barrel oil prices and \$5-a-gallon gasoline.

The Senate Energy Committee chaired by Henry “Scoop” Jackson is also reviewing energy emergency measures. The committee held a closed-door hearing Sept. 30 with representatives of the CIA, Energy Department and State Department. Capitol Hill sources report that the committee intends to make energy emergency planning its top priority in the next congressional session.

Press demands shrinkage

From recent U.S. newspaper editorials reflecting a new "small is ready" approach to military mobilization:

New York Times, Sept. 27: Even with the defense budget greater than \$150 billion a year, large parts of the armed forces are not yet ready to fight. Those that are ready lack what is needed to fight very long. If intervention were required in the Persian Gulf, the Pentagon would plead it can't. . . . The Air Force needs fewer planes and more crews and maintenance. . . . we should scrap the MX. . . . the money would be better spent on keeping and recruiting skilled manpower. . . . If America wants to maintain a mass Army without the draft. . . . it will have to settle for fewer than 2 million men [current force levels—ed]. . . .

San Diego Tribune, Sept. 12: Our military forces must be ready. . . . we need a good army, not a big one. Available funds should be used to organize smaller forces, highly professional, highly paid and ready for instant action. . . . anywhere in the world and supply them. . . . the means for this must exist.

St. Louis Post-Dispatch, Sept. 23: The Army is enlisting an unacceptably large number of recruits in the lowest mental category [46 percent—ed.]. . . . at bottom the solution is in the quantity of the personnel, for a disproportionately large number of lowest-category recruits. . . . aggravates other problems bearing on readiness. . . . up to now the military appears to have emphasized quantity instead of quality.

Newsweek, Sept. 29, editorial by Milton Friedman, one of the architects of the All-Volunteer Force in 1973. The military has long insisted on getting skilled personnel primarily by recruiting 18- and 20-year-olds, training them, and promoting them. . . . This makes no sense today when many, perhaps most, persons in the military will never be anywhere within sight of an enemy. . . .

Let the military recruit from civilian occupations, regardless of age. . . . Why pay for the training. . . ?

Michigan in a fiscal catastrophe

by Stephen Parsons

Michigan's 12.5 percent unemployment rate is by far the highest in the United States, with seven of the nation's 15 highest unemployment areas located in the state, as shown in Table 1. Over a half-million workers are officially unemployed, with at least another 155,000 having exhausted their unemployment benefits. Many are beginning to turn up on the welfare rolls. Businessmen in the industrial center of Flint plan to reopen shut-down auto plants—as museums for tourists.

As the 1980 fiscal year closes, municipalities and the state itself are confronting severe budget crises that have already generated sharp cutbacks. In the 1981 fiscal year, Michigan residents are facing budget cuts that add up to 30 percent or more in real dollar terms.

Revenue receipts have declined sharply. Governor William Milliken expects a \$180 million deficit for this year, despite the exhaustion of cash reserves, and over a half-billion dollars in fiscal year 1981. He has implemented a de facto hiring freeze and policy of attrition in most state departments, along with some outright layoffs, and is immediately paring \$800 million in expenses from the budget—a cutback of nearly 10 percent. The heaviest budget cuts are in the service sector—20 percent or about \$700 million—which includes police, corrections, and justice as well as education, transportation, and social services.

The welfare story

The cutbacks in social services, especially in welfare and Medicaid benefits, are particularly severe. At a time when most workers simply have no place to go, Milliken is proposing to cut the rolls by 68,000, designated "employable." The primary victims will be those in the General Assistance category, who are mostly single people. General Assistance, unlike Medicaid or family benefits categories that qualify for federal funding, is almost totally funded by the state. In the last year, the caseload has nearly doubled, from 50,000 in July 1979 to 90,000 as of July 1980.

This means that two-thirds of these people are to be completely cut off. Milliken had projected saving \$144 million with cuts in this and other social service areas,