



NEW SOLIDARITY International Press Service

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**INTERNATIONAL MARKETS
NEWSLETTER**

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Atlanticists Adopt Big Lie Tactic On Debt Question

NEW YORK Feb. 29 (IPS)— Faced with increasing momentum for debt moratorium within the Third World which now includes explicit calls from even such hitherto unlikely quarters as Egypt's Sadat and Pakistan's Bhutto, the Atlanticist financiers have resorted to a defense against the domino collapse of the \$800 billion debt structure: predicated on the Big Lie tactic of Adolf Hitler. According to the Big Lie, there is a "solution" to the burden of dollar debt now strangling the Third World economies short of the unilateral declaration of moratoria on dollar debt, tied to multilateral expansion of production and trade along the lines proposed in the ICLC's International Development Bank (IDB) proposal of April 1975.

Coordinated from the U.S. Department of State and U.S. Treasury, the World Bank and allied Atlanticist debt collection agencies as well as "liberal" thinktanks, and run in part through United Nations channels, the psychological warfare operation is tailored in true Goebbelsian fashion to pre-empt the political motion toward debt moratorium of specific pro-development forces and their potential allies among Third World governments, industrialist and political factions in the advanced sector and U.S. Congressmen in particular.

The principal thrust of the Big Lie tactic is aimed at suckering leading Third World governments into fruitless and in fact deadly "negotiations" on the pivotal question of debt. Holding out the promise of refinancing "deals" to frightened and economically desperate developing country governments with one hand, the State Department lyingly points to the unfortunate "constraints" imposed by a bloodthirsty U.S. Congress bent on collecting every penny of dollar debt with the other.

Simultaneously, rumors are being circulated that "delicate negotiations" are now proceeding on the debt issue. These lies are aimed at silencing discussion of the debt moratorium and IDB proposals among European and American business and congressional layers, as well as sowing dissension and paranoia among the ranks of Third World governments.

To cap the Big Lie a barrage of wildly fraudulent propaganda on the alleged economic "upswing" in the advanced sector aimed at potential debt moratorium allies among especially European anti-Atlanticist circles, and U.S. business and congressional layers as well are also being circulated. The psywar message is clear: "There is no problem — the U.S. recovery is here."

A Cruel Hoax

The Atlanticists however have no intention of entertaining any debt "refinancing" — except at the expense of catastrophic levels of austerity and triage. That is the actual bloody content of any alleged "delicate negotiations." (See Argentina section of this newsletter)

The so-called "upswing" is a fraud. (see next section of newsletter) and the ritual incantation of an "implacable" Congress is but a club over Third World governments and provides a convenient excuse for the Atlanticists to self-righteously do nothing.

The Atlanticists are trying to buy time at the expense of the future of the human race. They are intent on fracturing the growing policy coordination among progressive Third World governments and forestalling the declaration of debt moratoria by any one of them, each well known to be fearful of delivering the fatal blow to the Dollar Empire. They are hoping that in the interim, the pressure on the Third World to take drastic austerity measures to ensure debt payments will create serious political dislocation — openings for CIA "destabilizers" to cripple or destroy key progressive regimes now in the forefront of the fight for debt repudiation and genuine economic development.

In the meantime, the electric discussion of debt moratoria and the ICLC's IDB proposal throughout pro-development layers in the industrialized countries as well as the Third World must be squelched.

Trying to be "Reasonable"

The nuts and bolts of the Big Lie operation were laid out publicly on February 17 by New York Times financial correspondent Edwin Dale in a lead feature article in that newspaper's financial pages. In a carefully worded "policy statement," worked out, according to informed sources, in close collaboration with the State Department, Dale praised the restraint of the "multi-phased" schemes for refinancing, rescheduling, and generally propping up Third World debt which were adopted by the recently concluded 100-nation Non-Aligned Nation's Minister's Meeting in Manila. No "radical call for a sweeping debt moratorium has been suggested by spokesmen from some of the poorer countries," Dale pointed out. The proposals adopted are "moderate," eminently "workable", he stated. Citing a Treasury official, the State Department conduit then indicated Congress is

likely to be "extremely reluctant" to consider anything that but service waivers or the like.

The ink had barely dried on Dale's psywar tract when a herd of State Department operatives hit the phones, asserting to foreign diplomats and lawmakers alike that "the State cannot consider the option of debt moratorium because its hands are tied by an unwilling Congress — as today's New York Times reports."

The State Department, for its part, is brazenly explicit about the Big Lie tactic. Referring to the most recent session of the Conference on International Economic Cooperation in Paris, which according to the February 23 Journal of Commerce "broke up in disarray over the developing countries' call for sweeping revolutionary steps," a policy planning officer self-righteously reported that "we tried to be reasonable," but the Third World was very demanding — and the talks came to no result. "No we don't have to worry about the Third World for two months," he chirped.

Capitol Hill "Liberals" Puff State Department Bluff

Wall Street's "liberal" mouthpieces on Capitol Hill, are meticulously pushing the State Department lies. An aide to Senator Adlai Stevenson (D-Ill), in response to discussion of the momentum toward development-linked debt moratoria, this week raised the hoary spectre of the 1938 Johnson Act which declares it a crime for any individual or institution in the U.S. to grant credit to any country which defaults on its debt to the U.S. and the New York banks. The act has never been used, he pointed out, but it's on the books just in case.

Another liberal Capitol Hill source insisted that the Feb. 23 pro-debt tirade by mossbacked Virginian Senator Harry Byrd, Jr. in congressional hearings on the world debt problem (Byrd ceremoniously "instructed Assistant Secretary of State for International Monetary Affairs Paul Boeker to clear any debt renegotiations with Congress because "we want every penny on the dollar!") summed up "the general feeling in Congress."

The parameters of this charade came full circle when this same source hastened to add that there were, of course, a "few" Good Samaritans considering a program of debt rescheduling — none other than the grouping around Senator Hubert Humphrey (D-Minn) otherwise identified as the major Wall Street-backed saboteurs of development policies on Capitol Hill!

"AUTHORITATIVE" CLAIMS

In this context the calculated use of "authoritative" claims to lawmakers and businessmen that "delicate negotiations" are underway on the debt problem, and the general circulation of these claims among Third World diplomatic circles, serves to wrap a blanket of paranoia around the whole Big Lie operation. A raging dispute in key Chicago business circles over the drafting of a world economic policy statement was summarily silenced recently by these means. Sources close to pro-development layers in the Midwest acknowledge that since World Bank enforcer Costanzo last week told a Chicago International Trade Club audience that the debt problem was "huge and complex" and that "delicate negotiations" were going on, these same layers categorically refuse to discuss the debt moratorium.

The terrible irony of the parochial dissension such a tactic tends to engender is the fact that any such "delicate negotiations" merely offer credulous Third World governments the opportunity to discuss the specific means by which to loot their economies and populations for the Atlanticists blood money — the "conditions" for so-called debt relief.

THE "UPSWING" HOAX

At the same time, the State Department and Atlanticist press outlets are trumpeting the equally fraudulent claim that Third World debt problems will be swiftly solved by the U.S. economic "upswing." Third World countries are being told that with the "upswing," demand for their exports will turn around and they will be saved from default. The upswing myth is employed especially at international meetings to divert developing sector nations into discussions of raw materials prices and away from the reality that the international trade of major exporting nations has been dropping at a rate of 25 to 30 per cent a month!

More recently this pernicious lie received prominent treatment in the American business weekly Business Week. In a feature spread, reportedly written in consultation with Atlanticist hatchetman and former governor of the Bank of Italy Guido Carli, Business Week spreads the lie that "the outlook for most LDCs — and their creditors — should remain bright so long as the world economic recovery endures."

"I don't see a crisis for the LDC's this year," Charles Cooper, U.S. executive director at the World Bank is quoted as Business Week waxes long on the "optimism" of government officials and bankers. This optimism is based significantly on the "government slowdown efforts" in the Third World — that is, import controls and genocidal austerity — in addition to the "worldwide economic recovery" and "increased financial help" from the World Bank and the IMF.

Congressmen, in "closed door" briefing sessions over the past two weeks set up by the State Department have been barraged with this same hoax by enterprising Atlanticist thinktankers.

The Governing Reality

In direct contrast to the Atlanticists Big Lie, the actual governing reality of the Third World is characterized by pro-development political motion rapidly approaching the threshold of a decisive break with the cannibal dollar.

The Third World debt crisis is in fact, far from stabilized, as was emphasized this week in a major feature in the leading West German weekly, Der Spiegel, "Developing Countries: A Disastrous Collapse." Der Spiegel quotes Egyptian President Anwar Sadat, hardly known as a radical, pleading: "People have to give us a few years in which we don't have to pay back our debts." In the same article a Pakistani official, calling debt moratoria "inevitable," suggest total cancellation of debt for certain over-burdened countries, a proposal which echoes that advanced by Peru's Foreign Minister de la Flor at the Paris CIEC meetings.

Confirming the motion of regimes like Egypt and Pakistan into the debt moratorium organizing led by such countries as

Algeria and Peru, Pakistani Premier Z.A. Bhutto commented on the Third World debt crisis at a Stockholm press conference on Feb. 22. "This state of affairs cannot last for long," Bhutto emphasized, "Everyone knows that drastic measures must be taken, that the present economic order requires vast changes." Bhutto went on to endorse the idea of debt moratoria, adding "Debt moratorium cannot be regarded isolated as one measure, but as part of a package."

Bhutto's package," like a number of promising moves toward a development perspective by Asian and African nations this week begs the question of the concrete institutional form of a new world economic order following debt moratoria which has been proposed by the ICLC in the International Development Bank. At a meeting of the Association of South East Asian Nations (ASEAN) Indonesia prevailed upon its fellow members to demand that countries with "other social systems" (i.e., communist Vietnam, Cambodia and Laos) be included in regional economic planning. In Africa, the Organization of African Unity, now including Angola and with the radicalized liberation movements of southern Africa present, met in Ethiopia to declare African's solidarity with the oil-producing states in the struggle for development.

Further, indicating the penetration of the IDB concept in pro-debt moratorium ruling circles of Peru, that country's major agricultural daily El Comercio presented the Labor Committee's program for crash fusion energy research correlated with agricultural and industrial development in the Third World as the scientific alternative to Brazil-style fascist holocaust. Significantly, the article appeared immediately after U.S. Secretary of State Henry Kissinger, in Latin America for a debt-enforcement showdown, had left Peru.

Most recently, Prime Minister of Jamaica, Michael Manley, this week followed the call of Guyana at the Manila Third World meeting with a call of his own for the dumping of the World Bank-IMF and the creation of "a new institution"

— a call echoed in the pro-Soviet and influential left-wing Congress Party daily, the Patriot.

No Time For Delay

The Atlanticists' Big Lie operation on the debt question should fool no one — least of all the Third World nations who have been liberally treated to the "State Department vs. Treasury and allied yahoos" hard cop-soft subterfuge since at least the September 1975 United Nations Special Assembly Session. In fact, led by the core group of progressive developing countries — Iraq, Algeria, Peru, Yugoslavia — the Group of 77 developing countries is becoming increasingly impatient with the Atlanticists' refusal to negotiate seriously. Reports in the French press indicate that the major topic of discussion at the Paris CIEC conference was debt, and in particular that Peru's proposal for Third World debt moratorium in the name of the Group of 77 "worried Washington." Sources close to the Paris conference report that the Third World delegations were so exasperated by the sabotage of the talks by the Atlanticists that they threatened to break off the talks permanently if concrete results were not achieved by May.

This delay, however, might be suicidal. Even while the insane Atlanticists are using the Big Lie tactic in a stalling maneuver, they are preparing to make bankrupt Argentina a bloody "example" of their fascist version of "debt moratoria." The First National City Bank of Boston reported late this week that Argentine Finance Minister Mondelli will make an announcement of "radial measures" to deal with Argentina's complete inability to pay an estimated \$200 million in due debt and an additional \$1.1 billion due April 1. Mondelli is expected to announce a debt moratorium, perhaps over the weekend — tied to explicitly fascist measures analogous to those imposed on Germany after World War II: currency reforms which would reduce the money supply overnight, by 90 per cent, combined with a credit cutoff and further devaluation of the Argentine peso.

World Trade Collapses!

U.S. Payments Deficit Bursts Recovery Bubble

With the Commerce Department's announcement yesterday that the United States ran its first balance of payments deficits in 14 months during January, the entire chain of lies and swindles behind the "economic recovery" has broken at its weakest link.

The announcement of a U.S. balance of payments deficit, combined with the collapse of Japanese and West German exports, collapses the last hopes of the Atlanticist financier faction that it can hold together the worldwide dollar empire. With the Third World on the verge of declaring a moratorium on dollar debt, with capitalist forces in France and Italy consolidating against Atlanticist dictates to wreck their economies, the conditions are now ready for the creation of a new world economic order to sweep away the shattered remains of the dollar empire.

Financial markets went into "shock," bankers reported, after the news broke on the Friday afternoon, Feb. 27, and financiers on both sides of the Atlantic dug in for a new wave of dumping of the U.S. dollar on Monday morning.

For weeks, officials of the Organization for Economic Cooperation and Development, U.S. Treasury, New York banks, and their press conduits have dinned the same lie into Europe's ears: the U.S. recovery will hold up the rest of the capitalist world. An upswing in the U.S., the lie insists, will hold up the export-based Western European economies, and increase the shattered exports of the Third World by 15 to 20 per cent.

Now the word is out that the U.S. dollar's books don't balance, and the Atlanticist swindlers will not be able to deceive a blind fool.

The façade of recovery is gone. What emerges from behind it is the conclusion of the final quarter of dollar finance-capital. The last underpinning of the U.S. dollar was the U.S. \$11 billion payments surplus during 1975. January's \$800 million swing into deficit demonstrates that the U.S. dollar and the dollar credit system cannot finance a recovery without collapsing itself. Europe's and the Third World's trade and payments position is unravelling directly towards a general collapse of payments by March 31.

The core of the U.S. deficit is a 7.6 per cent rise in U.S. imports between December and January; these imports enabled Western European and Japanese automakers and other consumer-goods producers to maintain production during January. In turn, Europe's auto and related consumer-durables sectors provided a shaky prop for its industrial sector, while other critical sectors of Europe's export market, principally the Third World, disintegrated. As a whole, Europe's and Japan's export order-books began shrinking three months ago.

These imports — the "evidence" that the U.S. recovery would hold up the rest of the world — were a political bribe to Western Europe from the Atlanticist financiers. The dollar credit system, as the \$73 million payments deficit shows, could not afford to finance an additional \$650 million in imports to the U.S. — because U.S. consumers cannot afford to

buy them. Between December and January, unsold inventories of foreign cars increased from 300,000 to 440,000. The last prop of Western European and Japanese trade turns out to be a pileup in auto dealers' parking lots, financed by the New York international banks.

Hyperinflation

The end of this swindle has set in motion a chain-reaction collapse throughout the world economy. By passing bad checks against the U.S. economy, the U.S. banks enabled West Germany to raise its exports by 4 per cent during January. Volkswagen and Opel managed to keep the assembly lines rolling, while the guts of the West German economy, the heavy machinery, steel, and chemicals industries, continued their decline. But the marginal continuation of productive activity in West Germany enabled the banks to continue re-financing the debts of near-bankrupt corporations. To accommodate the huge debt rollover burden, the monetary authorities increased money supply at the "banana republic" rate of 23 per cent per year. A parallel development took place in Japan during January, the lead auto exporter to the United States, where money supply is rising at a hyperinflationary annual rate of 28 per cent.

By spinning huge amounts of new credit off a marginal increase in exports (from depression lows), West Germany was able to raise its imports during January by 14 per cent. That is, West Germany acted as a "multiplier" for the U.S. import-swindle in Western Europe, using its exports to the inventory junkheap in the U.S. as the collateral for a much larger volume of imports from France, Denmark, the Netherlands, and other European sectors. For Western Europe as a whole, the Atlanticist swindle during January momentarily slowed the process of collapse that began during the last quarter of 1975. However, even with the puffing up of the West German and U.S. markets, French exports fell by 10 per cent during January, raising the French balance-of-trade deficit to an annual rate of \$5 billion — a level previously achieved by Europe's "sick men," Italy and Britain. France is West Germany's largest trading partner.

Despite the "recovery" fraud, Western Europe's trade began to collapse in November and December; West Germany's foreign orders fell from an index level of 146 in October to 134 in November and 112 in December, a drop of 30 per cent in a sector which depends on exports for 45 per cent of its output.

Third World Shutdown

As the direct result of a credit embargo by international banks, the Third World has been forced to shut off imports at an annual rate of at least 50 per cent, pulling Europe down with it. The collapse of European export orders coincides with the decision of Atlanticist financiers to stop issuing short-term trade credits to all Third World countries except a handful of big debtors such as Brazil, Mexico, and the Philippines.

At this moment, the structure of world trade and

payments, held together since December with lies, swindles, and rubber checks, has come unstuck. The bulge of unsold inventories of foreign goods in the U.S. began to choke off the flow of exports to America from Europe and Japan during February, according to preliminary estimates of industrialists. Shipments of goods to the Third World from the industrial countries began a precipitous drop during February. This drop will accelerate during the next three months, since shipments of goods lag three to six months behind the extension of trade credits; banks began cutting off such credits in December.

In turn, the breakdown of Europe's production will force a geometric rate of collapse onto the Third World. For every 1 per cent drop in the output of Western Europe, Western economists estimate, the Third World loses 12 per cent of its export earnings.

Payments Collapse by March 31

In the context of a collapse of world trade, the turnaround of the U.S. payments balance from a December surplus of \$725 million to a January deficit of \$73 million is a red-flag signal for an international payments breakdown. The way is marked out for a general payments crisis by March 31.

Glimmers of recognition in financial circles will appear by Monday morning, when the dollar will lose at least .5 of 1 per cent of its value, according to estimates Friday. Since 1974, the dollar has only survived as a result of the collapse of world trade, and the contraction of the capitalist sector. Since World War II, the U.S. has exported money and imported foreign goods produced with cheaper labor than available at home. The accumulation of \$250 billion abroad bankrupted the dollar.

But the U.S. ran a balance of payments surplus during 1975 of \$12 billion, the first surplus in almost 20 years, as a direct result of the depression, which cut off U.S. imports from the rest of the world. This payments surplus corresponded to huge deficits for Western Europe and the Third World, which raised foreign demand for dollars to finance these deficits. U.S. banks shipped \$26 billion abroad during 1975 to refinance other countries' payments deficits.

The game has ended for the dollar. By flooding the credit markets with funds, the U.S. monetary authorities made possible the temporary refinancing of Italy, Britain, France, and the Third World, and gave the swindle-recovery a few

months' more borrowed time. The spillover of unwanted dollars onto short-term money markets throughout the world has created the conditions for a new general run against the dollar. Two weeks ago, after New York banks provoked an attack on the Italian lira and French franc, the dollar immediately came under attack.

By March 31, the conjuncture of three related developments will tear apart the international payments system:

First, the U.S. monetary authorities have reacted in panic to the threat of a collapse of the dollar, and the spectre of speculative cycle identical to the period immediately before October 1929. To avert this, the Federal Reserve tightened credit this week — virtually ensuring that the speculative "upswing" of the past weeks will lead directly to a bust in the credit markets. Worse, under conditions of credit austerity in the U.S., international banks will have to reverse the flow of funds abroad that provided \$26 billion worth of refinancing during 1975.

Second, the last credits available to Third World countries before New York banks slapped down an embargo in December are now coming due. With no market for their exports and no credits available, Third World countries will begin to default by the end of March.

Last, the payments position of European countries has not yet reflected the trade collapse of the last three months. At the end of February, bankers report, the monthly settling of payments balances showed that France, Italy, Britain, and Scandinavia were receiving their last payments from the swindle-recovery. Payments in international trade normally take place a month or more after goods are shipped and delivered. All of the trade downturn since December will be concentrated into the clearing of payments at the end of March. Western Europe will have vast needs for new financing, precisely at the moment when the U.S. banks will not be able to provide it.

The Atlanticist banks are aware of this predicament, as far as the consequences for Western Europe are concerned: they project a sudden deflation of the European economies by March, a chain reaction of bankruptcies, production shut-downs—and Bruening governments throughout the continent. If the Atlanticists fail to crush Europe politically in a very few days, there will be no more dollar empire at the end of March.

Burns Tightens The Credit Screws

Faced with a liquidity crisis which threatens a speculative spiral and a collapse of the dollar, Federal Reserve Board Chairman Arthur Burns has panicked and tightened the credit screws. In the last ten days Burns has drained the banking system of over \$1 billion of lendable funds and pushed up the entire interest rate structure. Burns' intention, much like the Central Banker who occupied his chair in August 1929, is to prevent billions of dollars of foot-loose funds from feeding an imminent speculative boom-bust cycle and an international run on the dollar. His actions, however, also like his predecessor's, threatens to remove the paper facade of the currently touted U.S. "upswing" and engulf the dollar system in a deflationary spiral beyond even the imagination of people like decrepit old Burns who survived the 1930s experience.

Speculators have wasted little time in drawing such analogies. In the last two trading days the stock market has fallen by 22 points and the bond market by comparative amounts. If Burns' "fine tuning" moves continue, as most Wall Street economists expect, however, there is no reason why the downward spiral should stop there; like in 1929-31, once the paper frills of prosperity are stripped away and stocks, bonds, debt-instruments, and mortgages converge on their real worthlessness, then chain reaction liquidation sets in as everyone runs for cash to cover their bills. In domino-style, the fraudulent "upswing," the U.S. multinational banks and the entire dollar payments system goes down.

What Is a Liquidity Crisis?

The unavailability of this chain reaction process lies in the nature and build-up of the liquidity crisis itself. A liquidity crisis of the kind that has erupted is not what it appears to be. To an empiricist fool like Burns, a liquidity crisis is an excess of funds with no place to go but into such speculative outlets as the stock, currency, commodities and real estate markets. According to this view, the crisis can be simply corrected by stepping on the credit brakes; no harm need be done since most of these funds allegedly represent "spare cash" for mere speculative amusements.

In reality, a liquidity crisis is the deepest expression of capitalist illiquidity; it is a situation in which there exists an actual shortage of funds relative to the debt service requirements of the dollar system itself. Under conditions such as those building since the late 1960s — in which the real economy has generated insufficient profit to meet debt payment schedules on capitalist paper stocks, bonds and loans — two "solutions" were undertaken to postpone a credit collapse. First, the Federal Reserve as the "lender of last resort" injected whatever amounts of new credit the circulation of major categories of debt required. Second, in so far as this remained insufficient, corporations rechanneled circulating capital normally used for operating expenses and real investments into debt-service. Such new credit infusions themselves bear interest costs and must earn income. But to the extent that this mass of paper expands more rapidly than the ability of shrinking production to

generate profits to support them, such "excess" funds rush into whatever speculative outlets can earn them the paper profits to cover current account debt service. Such speculation becomes the life and death of the system. However, the increased profits they generate require additional paper to circulate...ad infinitum until an inflationary bankruptcy like the one currently underway. On the other hand, if credit is contracted, a payments crisis erupts overnight and the house of paper profits falls apart.

This process has been going on for several months in condensed form. To review: by the fall of 1975 the year-long depression in world production and trade — a managed liquidation to finance the debt requirements of the dollar sector — weakened and severely undermined the ability of such dollar debtors as Third World governments (Zaire, Argentina, Chile, and Peru particularly), U.S. municipalities (New York City) and bankrupt corporations (W. T. Grants) to service their debts and thus threatened an openly acknowledged chain reaction collapse. With the New York banks and their off-shore Euro-dollar branches taking the brunt of these threatened defaults, Fed Chairman Burns carried out massive credit transfusions into the banking system both to refinance the weak links of the dollar credit system and to provide New York banks with a reserve cushion against threatened deposit runs.

A sizable portion of these funds was instantly shipped abroad by the New York banks to their off-shore branches in the Euro-dollar market to refinance Third World and Italian and British debt. During the fourth quarter alone a record of \$4.5 billion in such reserves were shifted abroad.

"Got to Loan to Someone ..."

The expansion of such credit under conditions of relative economic stagnation has produced the very crisis which so alarms Chairman Burns. First, this mass of newly created bank reserves on which banks must themselves pay interest costs have no outlets but in refinancing operations of these sectors which earn them no income returns. Second, the runoff of outstanding good loans by corporations, which have no recovery expectations and therefore no need to borrow, has only piled them up with more reserves on which they can earn next to nothing. As a hysterical New York banker observed, "As long as the Fed keeps the money pumping in the U.S., the banks have got to loan to someone...but the real problem is who else do the banks have to lend to but bankrupt Third World countries? Certainly industrial loan demand in the U.S. will remain flat."

To offset such unwanted accumulations of reserves these banks have liquidated their "purchased deposits" (blobs of \$100,000 deposits usually purchased by corporations) as fast as they mature. While this momentarily eases the problems of the banks, it simply transfers it to corporations who are themselves left with excess of short-term money on which they cannot earn income to meet their own bills (to the banks).

Predictably, this has produced a panic spiral as financial intermediaries rush into whatever speculative outlets they can get their hands on. Thus the present speculative binge; billions of dollars have poured into the stock and bond markets creating a "bull" market rally. This, however, does not represent confidence in the soundness of the market as it is currently being interpreted. "The basic reason for this long rally," notes one of the few Wall Street bond traders not hanging from the ceiling, "is not a conviction by institutions that rates will be coming down, but rather an abundance of cash." What are the corporations doing with the money they are raising on the bond market? Spending it on plant and equipment as is normally done? Wrong. They are reinvesting in the stock market!

It is this speculative hysteria that has produced the fraudulent consumer-led "upswing." Individuals invest in stocks whose price skyrockets. The individual thinks he is wealthier so he decides to buy appliances and a car, and the banks desperate for borrowers to pay 13.38 per cent interest lends them the money to do so. Corporations such as the auto companies take this as a sign of consumer confidence and run up production schedules. In turn, the increase in production becomes a sign of "economic recovery," and further fuels the stock market rally.

All this has produced gross pyramiding otherwise referred to as the economic recovery of 1976. The incompetent, Democratic Party-linked economic think tank, the Brookings Institute, has produced a "theory of recovery" on this basis suggesting that the stock market's 180 point rise over the past six months has increased the paper value of equities by \$225 billion, which they project will produce collateral for additional \$27 billion of consumer loans and subsequent spending. This in spite of the continued erosion of the real issues

of the population.

This process cannot continue without greater and greater credit infusions to circulate such paper-inflated wealth. When this happens, the speculative bubble feeds on itself until the dollar itself faces collapse.

This is precisely what is happening and Burns understands at least this much; to quote from a May 6, 1975 speech: "While inflation may begin slowly in an economy operating at high pressure, it inevitably gathers momentum. A state of euphoria tends to develop, economic decision-making becomes distorted, managerial and financial practices deteriorate, speculation becomes rampant, industrial and financial imbalances pile up, and the strength of the national economy is slowly but surely sapped. That is the harsh truth that the history of business cycles teaches us."

The much harsher truth Burns does not want to or is not equipped to see. The attenuation of monetary expansion he is committed to for the moment will instantly produce precisely the collapse that such credit infusions over the past several months were designed to avert. The apparent prosperity of the upswing will blow to pieces as consumers and producers follow in suit with the stock market crash. Banks faced with a shortage of reserve to cover the corporate defaults which will ensue will return the billions of dollars previously shipped abroad to cover their positions; the rest of the dollar sector, meanwhile, will thus be deprived of the funds with which to finance an account deficit itself ensued by the collapse of exports to the United States. In a replay of 1931 the reflow of dollars to the United States will starve Europe, Japan, and the Third World of needed credit. Chain reaction defaults, a precipitous contraction of world trade and the final collapse of the dollar empire will follow.

Soviet Congress Adopts A World Development Policy

Developments at the 25th Congress of the Communist Party of the Soviet Union now taking place in Moscow, combined with direct evidence of Soviet diplomatic initiatives around the world signal a decisive shift. The Kremlin leadership has now committed itself to a policy of expanding world trade and development as the basis for strategic thinking.

In his opening report, party leader Leonid Brezhnev announced that the Soviet Union rejects absolutely a hands-off attitude to global economic and ecological problems, such as the exhaustion of energy resources and the spread of disease. (Quoted extensively, page 5.) In implementation of the Brezhnev directives, the Soviets have already begun open diplomacy in the Third World in support of revolutionary and pro-development forces, highlighted by strong statements of support to revolutionary developments in Africa in the Soviet press.

The Brezhnev report followed a rapid-fire series of pro-trade statements by influential Soviet government officials in the days preceding the Congress. Brezhnev went out of his way to stress that a unified approach to "politics, economics, diplomacy, business, industrial production, and trade" in foreign economic relations is the view of the **entire Central Committee of the party**. The practical implications to the Oblomovists — victims of the ideological disease of hiding under the blankets from the reality of the "outside" world — could not be clearer.

The Soviet Union is now better able than ever before to implement this internationalist outlook, previously put forward as the core of the Soviet open diplomacy response to the threat of nuclear war in the spring of 1975. The dramatic break of the NATO-run Western Communist Party leaderships from Moscow, which has become the pivot of the Congress, removes a considerable block from Soviet strategic thinking. The Soviet leaders no longer have to be hampered by worries over anticipated French or Italian "Communist Party" reactions to their political moves. With their hands freed in that respect, the Soviets are simultaneously getting the message that the non-aligned countries, especially, require crucial Soviet backing against the Atlanticist debt-extractors.

Open Diplomacy

The collapse of world trade this week provides the urgent context for the following diplomatic steps in the developing sector, taken in coordination with Brezhnev's report and aimed at an increased, leading Soviet role in organizing world triangular trade and development:

In Peru, in the aftermath of Henry Kissinger's visit there, the Soviet ambassador held an extraordinary press conference citing the strong relations between the Soviet Union and Peru. The ambassador called for further economic

cooperation and in this context pointed to the Comecon trade and development agreements already signed with Iraq and Mexico.

Simultaneously, the Czech daily Rude Pravo carried an East German-authored attack on the World Bank, and especially the Inter-American Bank for Development, as the U.S.'s tool to loot Latin America. The article recommended taking the IABD out from under U.S. control and instituting it as a Latin American-controlled bank capable of dealing with other industrial capitalist countries like Japan and Western Europe — and implicitly Comecon. This kind of suggestion is pointing directly at a tri-sector trade perspective.

The Soviet ambassador to Zambia, Dimitrii Belokolos, released a statement on the occasion of the 25th Party Congress in which he said that economic aid for development is a crucial part of Soviet support for southern African liberation struggles. Exactly the same point was made by Cuban leader Fidel Castro in his address to the Moscow Congress. Castro stressed that due to the existence of the socialist community and the changes brought about in the world by the October Revolution and the defeat of fascism, more than 100 colonial countries around the world have been able to achieve independence.

Although Soviet and Comecon negotiations with advanced sector capitalists have a much lower profile, it is known that Soviet Chamber of Commerce head Boris Borisov, who visited Italy to push East-West trade earlier this month, is now touring Chicago, Atlanta, New York and other U.S. cities with a large delegation.

Prior Deployments

In the two weeks prior to the opening of the 25th Congress, Comecon and Soviet trade officials gave encouragement and an opening to pro-development industrialists in Western Europe. It is this openness that Brezhnev has now given his authoritative backing.

At a Moscow press conference Feb. 18, Comecon Secretary Nikolai Faddeev revealed the details of Comecon's proposal for cooperation to the European Economic Community (EEC). These included:

- * A joint study of currency and finance questions, in anticipation of permitting both sides to grant credits under most favorable conditions;

- * Development of agricultural trade between the two halves of Europe on a long-term basis as well as more standard provisions for "non-discriminatory" trade.

Faddeev, who is usually the spokesman for major Comecon initiatives, had not called a press conference since announcing Comecon's proposals for trade and development agreements with non-member countries in last summer. This led to treaties with Iraq and Mexico.

At the same time, the Soviet government daily Izvestia ran two important interviews.

On Feb. 19, Soviet Foreign Trade Minister Nikolai Patolichev explained why the Soviet economy precludes an isolationist policy. "At the present time," he told Izvestia, "there is practically not a single branch of the national economy of the USSR which is not linked with foreign trade...The Soviet Union strives to successfully utilize all the advantages of the international division of labor." Patolichev referred to successful bilateral cooperation of Soviet industry with Japan and Italy in particular, with the implication that much more cooperation is needed.

Just before the Congress opened, Izvestia interviewed Gerhard Weiss, a Comecon executive official from the German Democratic Republic who last week delivered Comecon's proposal for cooperation talks with the European Economic Community (EEC). Weiss stated definitively that autarkical retrenchment cannot be an effective Comecon policy: "The Comecon's decisive rejection of any autarkical aspirations and its open character are defined in the organization's Charter. Its complex program for socialist

integration...provides for possible participation by interested third countries in carrying out that program — on a mutually acceptable basis, in certain forms." The Comecon proposal, which incorporates pan-European agricultural development and calls for negotiating trade finance changes, and Weiss' restatement of Comecon cooperation principles address Italian and other pro-development politicians who have said that industrial integration with the Comecon sector is the alternative to their economies' destruction as slaves to the dollar.

Prior to the Comecon moves, the Belgrade press had confirmed that Yugoslavia, a leading political force in the Third World among the non-aligned nations as well as a close associate of Comecon, was one of the main pushers of debt moratoria at the recent Manila meeting of the Group of 77 non-aligned nations. Yugoslav government representative J. Smole (the regular ambassador to Moscow) declared at Manila "As long as the recession lasts, repayment of debts should be postponed for these (developing) countries, because this would help to revive production and would be in the interests of not only the developing nations but also the advanced countries."

Patch-Up Job On Italian Lira Is Over Shadowed By Political Crisis

The financial enforcers of Wall Street's "dollar-deutschmark axis" scenario moved on Feb. 26 to stabilize the Italian lira prior to Monday's scheduled reopening of the official Italian foreign exchange markets, in return for whatever mayhem the Banca d'Italia can pull off against the Italian economy.

In a desperate measure to regain control and patch up the Italian end of the Atlanticists' scenario for devaluing all European currencies except the mark, the West German and U.S. central banks coughed up bailout loans to Italy of \$500 million each. Paolo Baffi, the Atlanticist agent who heads the Banca d'Italia, the Italian central bank, has obliged by summarily removing the Bank's export subsidies to Italian industry and tightening domestic credit to the point of virtual shutoff. Meanwhile, Gianni Agnelli — the Rockefeller-allied owner of FIAT — in the past two days has filled the press with demands for "more sacrifices" than the Bank of Italy alone is authorized to implement.

"Do or Die"

Italy's pro-development forces led by industrialist Eugenio Cefis, Socialist Giacomo Mancini, and Budget Minister Giulio Andreotti have repeatedly made it clear that they regard austerity as insane, and that they will fight for high-technology capital investment as the only way to save the economy. The question is whether the pro-development group understands the present conjuncture as demanding a "do or die" fight. Either they will declare debt moratorium now, or there will be little left to fight for in the weeks ahead.

What NATO mouthpiece Agnelli brands as the "soft" austerity program of the Banca d'Italia has already cut domestic credit by 40-50 per cent through a 33 per cent increase in the central bank's discount rate for loans over the period of just one month. This "soft" austerity will idle yet another 30 per cent of Italian industry by next summer, bringing about a scale of devastation unparalleled since the post-World War II Allied occupation of Europe.

No one, including the central bankers who put together the patch job for Italy, expects the financial arrangement to last more than a few days. A U.S. Federal Reserve Bank spokesman complains that "all we can get together for Italy is two billion dollars," provided the stalled loan guarantees from the European Economic Community (EEC) for another \$1 billion goes through. When pressed further as to the chances of succeeding at the dollar-deutschmark axis instantly, the Fed spokesman threw up his hands admitting: "No one knows which way it will go...it's a political problem."

Bent on drawing as much blood as possible before the entire debt structure blows up, the EEC at Wall Street's command is demanding now that the Banca d'Italia increase the discount rate by yet another percentage point to 9 per

cent and drain domestic liquidity by an incredible 75 per cent, before the new billion-dollar loan to Italy can be guaranteed. Such measures would deal the deathblow to credit-starved Italian industry and municipalities.

War of Attrition

The blackmail against Italy is just the beginning of a "war of attrition" which the New York banks have announced against Europe as a whole, to devalue every European currency except that of West Germany, the assigned debt collector, sector by sector.

Bank of America's Milan office spokesman summed up the tactic thus: "Now that the lira is down 30 per cent, we'll have to move on the French franc, the Belgian franc, and the Danish kroner. Then to the rest of Scandinavia. Sure, this will destroy European industry. That's why we want to do it slowly....Sure, this means Brüning governments (Brüning was the last German chancellor before Hitler — ed.) throughout Europe."

For precisely this reason, resistance to Wall Street by Italian industrialists and politicians will be immediately joined, not only by the combative Italian working class but by powerful forces elsewhere in Europe. Former NATO economist Yves Laulan, in the French business weekly *Le Nouvelle Economiste*, in a dramatic accommodation to the anti-NATO battle of French Gaullist industrialists, this week denounced the devaluation on the (correct) grounds that raising the costs of raw materials to French industry would be disastrous. The Swedish Foreign Ministry is making a similar move for market-needy Swedish industry by supporting Third World debt moratoria.

Even the supposed accomplices and enforcers of the Wall Street scheme, the West Germans, have become increasingly unpredictable as slaves of their U.S. Occupation masters, since the consequences of revaluing the mark — the total collapse of the West German export sector — are hitting industrial layers.

Wall Street spokesmen were talking boldly in the beginning of the week of moving the timetable on implementing their dollar-detuschmark scheme. Their plan called for devaluation of the franc and upvaluation of the deutschmark, in some combination which would produce a 10 per cent differential between the two. Meanwhile, the weaker currencies such as the lira were to be put through the wringer. After Wall St. began to implement its plan, rumors of an impending devaluation, circulated by the New York banks and their agents in Europe, triggered a run on the franc on Monday and Tuesday.

The Atlanticists also zeroed in on the lira. The oil multinationals dumped trillions in the Italian currency onto the forex markets on Tuesday, causing a 3 per cent drop in

the lira's value against the deustchemark. Italy was forced to use its precious reserves to prevent the currency from falling through its floor.

But by midweek the political opposition was too great and a Fed spokesman indicated that a change of strategy was required: "There is so much opposition to devaluation that we will have to sneak up on it."

The Lira began to stabilize as the attacks subsided. Then with Bundesbank support and the rumor of the EEC loan about to go through, the Lira finally reached the level of trading it had had on the day before the attack began.

There were other factors besides political opposition which made a pullback a more attractive strategy. The end of the month necessity for settling international trade accounts

generated demand for the same currencies which were being dumped artifically by the central banks. In addition, banking sources reported that if the multimotionals were to continue to specualte against either the lira or the franc they would have to go into the market and borrow currencies, since the petty cash box of their French and Italian subsidiaries were already drained.

The pullback to a war of attrition tactic has exposed the whole political character of the attack on the Lira and franc. At least one major New York bank expressed the fear that this exposure will only weaken the Wall Street position of control and produce an even greater resolve on the part of the Europeans not to go along with the dollar detuschemark scheme.

Atlanticists Fantasize On Collecting Third World Debt; Plan Argentina Triage As Lesson On Moratoria

Feb. 29 (IPS) — The Third World's increasing cohesiveness and willingness to carry out debt moratoria and the creation of a new international institution for development have brought forth from the U.S. Atlanticists some demented and fantasy-filled plans for assuring the continuation of imperialism over the next few weeks — i.e. the collection of their fraudulent debts.

Uppermost in their plans is the attempt this weekend to make Argentina an example for the rest of the Third World of what will happen to them if they can't or won't pay their debts. With a slew of top International Monetary Fund and Chase Manhattan officials currently in Argentina, the Atlanticists will try to have the Argentinian Finance Minister Mondelli announce a "radical" new economic plan that according to Folha de Sao Paulo, the Brazilian newspaper tied to pro-development currents among industrialists, will be the equivalent to the shock treatment" that the Atlanticist allies imposed on West Germany immediately following World War II. This would include having Argentina go through "bankruptcy," default on the more than \$200 million debt-service and debt payments now coming due, a massive devaluation and the removal from the circulation of huge amounts of the Argentine peso. In short, the engineered moratorium would mean the complete triage of every sector of the Argentinian economy; a "debt moratorium" that will not appear attractive to anyone.

The Argentinian situation provides the clearest proof of just how fantasy-filled, although dangerous, the Atlanticists' plans are. It is doubtful whether such shock treatment can be carried out even in Argentina, at this point. On the left, such a program would give the Montoneros and other guerrillas the massive and total support of the working class, thus exploding a possibly uncontrollable civil war. In the military, armed forces commander Gen. Videla and his coterie would be more than reluctant to allow such a program to go through. The reason being that such a program would give the pro-Brazilian and pro-Chilean minority factions in the armed forces the upper hand at that point, making Argentina merely a puppet of the fascist Brazilian gorillas.

The Third World Advances

The advances in the Third World that are driving the Atlanticists to the breaking point were highlighted this week by Jamaican Prime Minister Michael Manley's call for the dumping of the IMF and World Bank and for the creation of a new institution that would provide the basis of Third World

development. Manley was in fact echoing the more explicit call for the debt moratorium and the creation of the International Development Bank made by Guyanese Foreign Minister Wills at the recent Manila meeting of the Group of 77 developing nations. Simultaneously, a similar focusing on the dissolution of the IMF and World Bank was made by the Patriot, the independent leftist daily of India, thus lending credence to the reports that the meeting of Commonwealth nations now going on in London is seriously discussing the carrying out of debt moratoria and the creation of a new institution. India, Jamaica and Guyana are all members of the Commonwealth.

Orville Freeman for the Atlanticists

An important indication of the vicious fantasies of the Atlanticists was a recent interview, leaked to IPS, with former Secretary of Agriculture Orville Freeman. Freeman, currently head of Business International, a consulting firm, serves as a top Atlanticist mediator between the Third World, the Federal government and the New York banks. His most notable recent "mediation" was to help hustle the Mexican finance ministry into imposing austerity. Laying his cards on the table, Freeman stated that "If one country declares a debt moratorium it will turn into a big hole, it will become completely isolated. If several countries, or the whole of the Group of 77, declare debt moratoria, then there will be complete economic chaos, depression and war." He went on to state that the current blackmail being waged against the Third World consists of trying to force those countries to implement suicidal slave-labor agricultural policies at which point the banks would consider providing more credits. The content of this policy was laid out by Freeman: "They have not had the right agricultural policy. They have refused to implement it....It will take a famine situation to get them to do this." In short, collection of debts and triage is the only policy of the Atlanticists, with promises of more credit as the hustle.

Freeman stated that what has to be guaranteed is that no debt moratoria occur during the next few months. According to Freeman's fantasy, by later this year and into 1977, the full effects of the U.S. recovery will allow for expansion of credit and thus end the crisis of Third World debt. Of course the fact is that there has been no recovery and there will be no recovery. Those who choose to believe Freeman's imaginings are setting themselves up to be subjected to genocidal triage.

U.S. Upswing

The treasury office of the General Motors Corporation indicated Thursday that not one penny of its planned \$2.6 billion 1976 spending program has yet been allocated. The GM official cited as a reason for the company's procrastination to a New York-based auto-industry analyst that most of GM's assembly plants are still operating on a single shift.

Only three weeks ago when the ambitious retooling program was first announced, the international press had played it up as a key indicator of business confidence in the strength of the U.S. recovery. Middle level management officials, who monitor the day-to-day operations of corporations, however, likely found the announcement a fraud from the start. Their ledger sheets already show a backlog of unsold inventories. However, while marketing "experts" were churning out surveys about increased car sales based primarily on phoney government indicators and wishful thinking, industry sales reports remained basically flat.

Yet GM and Ford continue to publicly insist that the recovery is here. On Feb. 26, industry spokesmen announced that they were bullish on sales prospects and planned to produce 823,000 new cars during the month of March — or a 23 per cent increase over last month's figures. The stated intention of the production increase is to add some 100,000 cars to dealer inventories next month. Yesterday's Wall Street Journal attempted to imply that there was some reason behind these inexplicable actions: "Detroit's strategy, industry analysts say, is to make sure that there are enough cars on hand in dealerships to match the expected sales pickup that normally occurs in Spring." Dealer inventories however have been doing alot of multiplying on their own since few people are now buying new cars. Inventory backlogs were already \$1.4 million on January 1, will now with the new addition be a whopping 1.7 million.

But as competent middle management personnel should already realize, there is not going to be a "normal spring sales" pickup because this is by no means a "normal Spring." The only reason that sales had gone up at all last fall was a massive injection of consumer credit through the extension of auto installment loans (\$3.2 billion in new loans last March increased to \$4.2 billion by last December). There is only so far that the industry can be carried on such credit buying — and as many analysts realize, it has already reached its outer limits.

One analyst at a leading New York commercial bank, commenting on the fact that auto dealers are now extending loans of up to 48 months maturity to increase sales said that this sort of huckstering was associated with what the industry called the "lunatic fringe in the 1950's." Another, after ranting over the Wall St. Journal's "straight" coverage of the poor state of the industry, claimed that he knew the industry could be faced with a huge inventory glut if the sales bubble burst. He insisted however, that nobody could predict if this was indeed going to happen.

But even more trouble is in store for the U.S. auto industry, shortly. Foreign car dealers' inventories increased by an incredible 100,000 cars during January, bringing the total

supply of foreign cars on hand to the equivalent of 120 days of sales (60 days is considered optimal). This piling up of inventories accounted for the entire increase of auto imports in January. (Since these auto imports were a key factor in preventing the collapse of the Japanese, W.German and related European economies, the upcoming bust of the U.S. car market will have devastating effects.)

The huge supply of cars will immediately force foreign dealers to attempt to regain at least a portion of their rapidly dwindling share of the U.S. market through price-cutting, loan maturity extensions, etc.

Durable Goods Orders Hoax

The press, meanwhile, played up figures released by the Commerce Department Feb. 26 that allege that durable goods orders rose last month by 2.3 per cent. As is the case with most government figures, to the extent that they are not outright lies they are totally deceptive. In this case, the figure is a little bit of both.

The reported rise, which was less than \$1 billion in total dollar amount was more than accounted for by a rise of almost \$1.2 billion in machine orders. \$600 million of the latter increase was credited to new orders for communications equipment — an almost 100 per cent rise in last month's figures.

But where are such orders going? No one seems to know — which opens for speculation the possibility of deliberate fraud by Commerce Department officials. Even the most ardent proponents of the recovery hoax usually admit that no one is really spending anything on new plant and equipment or replacement of broken down equipment — a fact attested to by the aforementioned GM disclaimer on its billion dollar retooling program. George Christie, Vice President and the chief economist for the Dodge division of McGraw-Hill admitted as much Feb. 26 when he reported that "the critical upturn in commercial and industrial building had yet to materialize."

The reason behind the continued weakness of demand for industrial machinery was underscored by a McGraw-Hill report issued Feb. 27 which produces the most reliable statistical indicators on machinery, that U.S. industrial firms operated at only 73.5 per cent of capacity during January, the same rate as December. (This would also tend to indicate that the rise in industrial production in December and January reported by the Federal Reserve Board is solely based on speed-up of the workforce since capacity utilization has not increased.)

Consumer Income and Retail Sales Collapse

The actual weakness of U.S. industry was highlighted by reports of the continued collapse of consumer income. On Feb. 25 the Labor Department reported that the hourly wages for factory workers remained unchanged from December to January. This translates to a 10 per cent drop annually when the effects of inflation are taken into con-

sideration. The next day the Commerce Department reported that per capita disposable income barely increased from the third to the fourth quarter of 1975.

This underlying weakness of consumer demand has made the retail industry itself extremely pessimistic, despite the spate of newspaper headlines about retail sales pickup and consumer confidence. One analyst quoted in the Feb. 25 New York Post noted that retail stores are not increasing inventories for fears of being caught in an overexposed position when the euphoria breaks. This indicates that some business management personnel, who, unlike press conduits of the "recovery" lie have at least a minimal "bottom line" connection to reality, are not taking the "recovery" seriously. Another analyst, who correctly predicted the 1974 inventory collapse, noted the flatness in retail sales and said that this could not continue for very long prior to sales turning downwards. (Sales have already turned downward as January figures show.) A third analyst reported to the extent that retail sales have not already collapsed, it is almost solely attributable to the fact that stores are literally pushing their merchandise out the door — at cut rate prices. Industry sources note that this leaves particularly the weaker stores in precarious positions. The ones who can't compete will be forced out of the shrinking market. One such marginal chain, W.T. Grant's has already been deliberately bankrupted and indications are that other retailers will soon be forced by cut throat pricing practices to follow.

The Paper Boom

But the government waited until the week's end to attempt to play their biggest trick on the gullible. After six months of flatness, the index of 12 leading economic indicators showed a sharp rise — 2.7 per cent — last month the government economist announced. A closed examination of this so-called rise shows it to be a paper hoax. Discounting for the moment the fact that previously announced rises in the indicator

index over the last months were later revised downward a few weeks later, the figure nonetheless "proves" that the only booming "sector" of the nation's economy is stock brokerage houses — the pure paper speculation. Last month's jump in the Dow average produced a 10 per cent rise in the portion of the index that deals with the stock values. Had this speculation not taken place there would likely have been a slight rise, which again would have disappeared after certain inexplicable readjustments were made.

The "Boom" In Bonds

In addition to the stock market, the bond market also became a temporary haven for speculative funds this week. This occurred despite the fact that investors expected interest rates to rise and thus their bond prices to plummet. This seemingly illogical behavior is accounted for by the following: with the collapse of industrial production and hence productive investment outlets, the pool of funds which the Federal Reserve has been pumping into the economy is willing to risk high losses in desperate efforts for short-term, quick speculative profits.

The Federal Reserve Board, fearing the speculative fever, which, rather than an actual "recovery," is the reality of the U.S. economic situation today, moved to tighten credit toward the end of the week. As a result, the stock market fell 22 points Feb. 26 and Feb. 27, while the government and corporate bond market fell 20 to 25 basis points Feb. 27.

The rapid fall in the stock and bond markets in response to the Federal Reserve's mild moves indicates the bind that Wall Street financiers are in. Any attempt to control the speculative credit expansion threatens to collapse the entire structure, yet supporting the system through credit infusion merely aggravates the speculative and inflationary tendencies. This dilemma will be reflected in continued crises of the dollar financial system and almost day-by-day flip-flops in capitalist "policy" as the Wall St. Atlanticists try to "square the circle" between hyper-inflation and collapse.



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Terror On Capitol Hill

WASHINGTON, D.C. Feb. 28 (IPS)— The Harriman-Rockefeller cabal moved this week to create a witch hunt atmosphere on Capitol Hill. Using the manufactured controversy over the leak of the House Intelligence Committee's "sealed report" on CIA activities as a touch off point, a spate of legislation calling for Congressional self-policing was proposed to isolate and terrify those Senators and Congressmen who might dare speak out on controversial issues — such as debt moratoria and world reconstruction. The frightened Congress would then be ready to place a rubber stamp on various "enabling acts" that will set up a domestic police state — and effectively legislate Congress out of existence.

Last week, talk of an impending Third World debt moratoria swept the Hill. State Department agents and a gaggle of Congressional "inside" men set up a series of seminars on the debt question to lay down the line — the dollar debt must be repaid.

By the beginning of this week, reports began circulating among Congressional office staffs that "everyone in Congress was against debt moratoria" and debt rescheduling. Reporters were channelled by staffers to so-called experts on the debt question. Mentioned as experts were most notorious State Department debt collectors including Sen. Hubert Humphrey (D-Minn.) and Senate Foreign Relations Committee staffer Dick Moose - the same people who had been organizing last week's seminars.

But such flim flam operations are not enough to keep Congress in line. While the State Department twists their arms in one direction, their constituencies are pulling in the opposite direction. Back in their home districts, they are confronted with support for the Labor Party's program for debt moratoria and World development despite the lies being peddled to the contrary by the State Department operatives. An aide to a Republican Congressman from Massachusetts reported that the Congressmen "had been beating the bushes" among bankers, economists and community leaders and had decided that the U.S. Labor Party's International Development Bank proposal and Emergency Employment Act (EEA) were the only serious programs around (but being a Republican he wouldn't introduce them.) The House Freshman Caucus meanwhile this week pasted the logo of New Solidarity (the newspaper of the U.S. Labor Party) on its door.

And with the voters already angry, front page newspaper reports this week of impending municipal bankruptcies and figures showing a collapse of U.S. trade over the last quarter of 1975 were enough to make many Congressmen realize that they had been fed a lie about a "U.S. recovery" — one of their principal justifications for inactivity.

As a spokesman for the Harriman-linked Marshall Field interest in Chicago said this week "The fundamental problem with our democracy is that it is constituency based."

The cabal has therefore upped its pressure on Congress, hoping that the witch hunt can buy them some time.

Following passage last week of a resolution calling for a Congressional investigation of the now-suspended CBS reporter Daniel Schorr (who leaked the House Intelligence Committee report to a New York weekly newspaper), the cabal's "liberal press" turned its guns on Washington. Up and down the east coast papers ran editorial comment demanding that Congress "clean up its own house" and punish those of its members responsible for the leak. By week's end, the House Ethics Committee had been stamped into considering and FBI investigation of the Schorr case.

The investigation of Schorr threatens to expand at any moment to include members of the now-disbanded House Intelligence Committee as Committee members are privately acknowledging. It is common knowledge on Capitol Hill, that the Pike Committee staff, inherited from long-time CIA "protector" Rep. Lucien Nedzi (D-Mich.) had on it former FBI and Justice Department agents. These people are now in a good position to set up Committee members. The cabal knows it must keep the Pike Committee muzzled and keep attention focussed on the national security "leakers," rather than the illegal national security apparatus.

This self-policing hysteria pushed through the Senate Ethics Committee legislation proposed by Sen. Sam Nunn (D-Ga) which would create a Joint-Senate-House Intelligence Oversight Committee. The proposal would also give the Senate Ethics Committee the power to censure or expel any Senator who leaks "classified" material. The definition of classified was left unspecified. Senator Charles Percy (R-Ill) was singled out by the Chicago press as the Congressman responsible for working out this "compromise" between the White House and the Senate. The same Sam Nunn is also sponsoring the Judicial Tenure Reform Act which would open up the judicial system to McCarthyite attacks. The legislation would establish an apparatus of federal judges which could remove "incompetent" justices from office without the impeachment process, thus destroying the traditional, constitutional "independence" of the court system.

Meanwhile, former FBI agent Rep. Don Edwards (D-Calif) is planning to use the confusion on Capitol Hill to let him slip the Government Accounting Office's (GAO) proposed FBI guidelines through his Judiciary Subcommittee without testimony from the centrally targetted "subversive" group

— the U.S. Labor Party. (See special report this issue, for analysis and details). With widespread press lying about the GAO guidelines, the cabal hopes this legalization of a gestapo network will pass quickly by Congressmen who are pre-occupied with defending themselves from each other.

There are already signs that this attempt to turn the Congress into a remake of the Nazi's Reichstag is backfiring.

Congressional reaction to the police state GAO report has been sharply critical. Rep. Herman Badillo (D-NY) charged, "Yes, there are violence prone people in the country, like Lee Harvey Oswald, Jack Ruby and Sarah Jane Moore, and they were all FBI agents." Rep. Drinan (D-Mass) called the guidelines "the return of the House Internal Security Committee (a holdover from the McCarthy era, abolished just last year)." Rep. Chris Dodd (D-Conn) also attacked the guidelines as "outrageous." All three, acknowledged in some way, that the Labor Party stood in the forefront of the fight to stop the police state. One Rep. John Sieberling (D-Oh) has been targetted by the Labor Party as the swing man on the committee — the man whose role may decide the fate of the guidelines and who therefore needed a push from the Labor Party machine. In a discussion with Labor Party representatives yesterday, Sieberling said that although he did not agree with the Party, he would protect first amendment rights — but would not elaborate how he was going to do that.

Rep. Bella Abzug's (D-NY) Individual Rights Subcommittee (of the House Government Operations Committee

which is in possession of documentation from the Labor Party and others, of massive continued FBI, CIA, and National Security Agency (NSA) wiretapping, harrassment, and surveillance) has just subpoenaed five intelligence agents for failure to turn over documentation of government receipt of transmissions from private telex companies.

Abzug, picking up where Pike left off, may be preparing for a constitutional showdown over this evidence of FBI-CIA domestic harrassment.

She authored and circulated a letter in support of Schorr and of freedom of the press. Abzug and the 12 other Representatives who signed the letter, called for the release of the full Pike report and charged the Administration with a "cover-up."

Rep. Robert Leggett (D-Cal), a long-time opponent of Atlanticist military policies, has responded to charges that he is being investigated by the Justice Department for receiving favors from the South Korean government, by calling for an investigation of the Justice Department, charging that someone illegally leaked this information for political purposes.

But most Congressmen remain silent on both the debt question and on the police state attack on the Congress and constitutional government. It is on this cowed and terrified "silent majority" that the Harriman-Rockefeller cabal are pinning their hopes of Congressional submission to their non-policy. Meanwhile, with the world economy falling apart, the U.S. Congress has yet to take decisive action — and their time is running out.

Wall St. Puts Political Police On War Footing

"The American intelligence service will now come out of the shadows on the edge of the law." That was the smug reaction last week of former CIA Director William Colby when Atlanticist toy soldier Gerald Ford issued a Feb. 17 Executive Order placing the vast government spy apparatus under Wall Street's dictatorial command, putting all U.S. intelligence agencies on a virtual war footing, and legitimizing the CIA's criminal activities.

This was followed today with a U.S. government General Accounting Office report on the FBI, which provides "guidelines" mandating the FBI's full participation in the political police mobilization.

The Ford decree should in no way be interpreted as a demonstration of the President's own personal political strength — in fact, he is now easily one of the weakest Presidents in American history.

It is the cornered and desperate Wall Street crowd, dominoes falling all around them, who have put the hapless Ford under the gun. The Atlanticists have demanded some semblance of a police state at home and the full use of the government's paramilitary shock troops in a last reckless fling at enforcement of worldwide genocidal debt collection:

The Bonapartist edict sets the U.S. government on a course that, if unchecked, can only lead to the establishment of authoritarian regimes in the West and all-out global nuclear war with the Soviet Union by no later than mid-1977.

Government by Fiat

Ford's unconstitutional and unlawful fiat in behalf of Wall Street is a blueprint for a police state:

- * It legitimizes and unleashes the government's political police vigilantes for paramilitary duty at home and abroad.

- * It certifies executive authority to stage coups d'etat, provoke wars, initiate embargoes, fix elections, raise mercenary armies and similar bellicose acts, usurping Congressional war-making powers.

- * It establishes an American Official Secrets Act as a shield to protect the government officials (and their Rockefeller-Harriman controllers) perpetrating these criminal acts and a broadsword to terrorize opponents into silence.

White House advisor John Marsh, under intensive questioning at a press briefing last week, publicly acknowledged that Ford's new intelligence reorganization scheme provides for the utilization of the CIA in any and all foreign intrigues and covert operations with the single stated exception of "assassination during peacetime" — without prior notification of Congress.

The United States itself is targeted as a free-fire zone for CIA murderers who are directed to greatly expand their present level of illegal domestic activity.

The CIA is explicitly permitted to maintain dossiers on Americans — and must disseminate these files as well as "incidentally gathered information" to "appropriate law enforcement agencies."

The National Security Agency (NSA), Wall Street's ears on the world, and the CIA are specifically authorized to collect information on domestic activities of Americans through their international communications intercepts.

The Presidential edict contains provisions encouraging a wide range of CIA domestic "dirty tricks." Langley is given

the green light to tamper with the U.S. mail. The CIA is directed to work out "arrangements" for the penetration of domestic private institutions, especially the country's universities. U.S. citizens are fair game for CIA drug experimenters in the 1984-style police state blueprint.

Ford also provided the CIA with a "Catch-22" clause to move on and prepare a Big Lie frameup of the Labor Committees. The CIA is authorized to undertake domestic spying, covert operations, and infiltration programs against any U.S. organization or citizen the spy agency "reasonably believes" is "acting on behalf of a foreign power or is engaged in international terrorism." CIA operatives functioning as aides to Congressmen have previously been responsible for having the lie that the Labor Committees are linked to the East German government read into the Congressional Record.

As part of the Official Secrets Act measures made necessary by the spy apparatus's broadened agenda, all government employees handling classified information must now sign oaths of silence. Disclosures by present or former government employees, government contractors, etc., are to be punishable with stiff civil and criminal penalties. The dragnet of terror administered by Attorney General Levi and his FBI against the Pike Committee and CBS reporter Daniel Schorr is a foretaste of what's in store for officials and reporters who in any way challenge the Government of Secrecy.

FBI "Guidelines"

Then today the General Accounting Office, acting on the request of the House Judiciary Subcommittee on Civil and Constitutional Rights, released a report on FBI domestic intelligence activities which under the guise of proposing "guidelines" effectively demanded the legalization of the FBI's COINTELPRO-type gestapo operations. After trying to make the package more palatable with a few horror stories of FBI overzealousness, the report recommends that: the FBI be allowed to surveil "subversive groups"; that a list of "violence-prone" organizations be drawn up for legalized FBI infiltration, and the FBI authorized to commit "extraordinary acts" to prevent violence; that leaders of other groups also be subject to "investigation"; and the Attorney General oversee close cooperation between local law enforcement agencies and the FBI. Late last year FBI Director Kelley lied in a letter to a Congressman that the Labor Committees are a "violence prone" organization.

Rockefeller's Blood-Stained Hand

Vice President Nelson Rockefeller's past and present cohorts in the Ford administration are the criminals directly and immediately responsible for the contents of puppet Ford's police-state proclamation. The Ford "intelligence reorganization plan" was drawn up by a five-month-old "Intelligence Coordinating Group" which included Secretary of State Kissinger, Attorney General Levi, former director of Central Intelligence Colby, and former Secretary of Defense Schlesinger. According to insider columnist Joseph Kraft, the intelligence reorganization scheme the Special Group ultimately agreed upon "was first advanced by James Schelsinger back in 1971...at that time President Nixon approved the notion." The Ford Executive Order and so-called charter for intelligence reform was word-for-word the product of these Rockefeller family gangsters.

The reemergence of purged war-monger James "Rodney

the Robot" Schlesinger in Wall Street's drive for Bonapartist dictatorship is the tip-off that U.S. war preparations are seriously underway. Since he was unceremoniously removed from office by Ford as part of the October 1975 "Halloween Massacre," Schlesinger has been stationed at the Johns Hopkins School for Advanced International Studies, a war-planning institute whose trustees include Atlanticists Averell Harriman, George Ball, and Paul Nitze.

This month Rockefeller collaborator Henry Luce features Schlesinger on the cover of Fortune Magazine. In Fortune's lead article Schlesinger, while dropping his limited nuclear war line for the time being, demands the escalation of U.S. arms production and the concentration of all U.S. government effort on military preparations "to save Western civilization."

An obviously bouyed Nelson Rockefeller came out of mothballs the day after the Ford fiat. Defending CIA covert operations, Rockefeller launched a hysterical red scare to justify his demand for increased war production in a series of public appearances this week.

Wall Street's Spywatch

Wall Street is conspiring to exercise its command and control over the political police apparatus through three "oversight" and coordination bodies — the Intelligence Advisory Group, and Committee on Foreign Intelligence, and the Oversight Board — created as instruments for the implementation of the Atlanticists' phase-by-phase war policy and all heavily weighted with Rockefeller and Harriman henchmen.

For example, the Oversight Board, which has final review of all intelligence agency covert operations, is comprised of three men, one from each of the power centers representing Wall Street's interests. Stephen Ailes is the Harriman man, a spokesman for Wall Street's investment banking corporatist grouping. An old hand at fascist economic and military planning, Ailes served in a series of military-economic administration posts beginning in World War II and has more recently been looking after the Harriman railroad interests as president of the Association of American Railroads. Cold warrior Robert Murphy, who acted as liaison between the Rockefeller oil and banking interests, the Vichy government, and the Nazis, served the Rockefeller family more recently as the head of the "Commission for the Reorganization of the Government" which last year came up with recommendation on how to impose a Bonapartist dictatorship in the United States. The third member of this fascist grouping is Leo Cherne, a professional right-wing social democrat who is the executive director of the Research Institute of America, Inc., a Wall Street advisory body, and also acts as a Wall Street representative to the "International Rescue Committee" and "Freedom House," both known CIA front organizations.

Congress Into Reichstag

The next step in the Atlanticist's Bonapartist conspiracy is to go all-out to turn the Congress into a reasonable facsimile of the German Reichstag in the early 1930s. The Harriman grouping is handling this end of the operation. They are demanding that Congress pass an "Enabling Act" that would cloak in legality a police-state dictatorship and the usurpation of Congress' war powers. The Atlanticists' loyal Congressional lackeys who have been pushing for the police-state S-1 bill, the fascist Humphrey-Hawkins slave-labor bill, and related Nazification measures can be counted on to give full support to the operation.

The Harriman -allied New York Times, Washington Post, and Newsday have laid down the law to Congress in their editorial columns. The New York Times endorses the police-state plan in a Feb. 20 editorial as "an important first step." The Times adds, "The Congress now must...write part of the new Executive Order into law." Their sole "objection" to police state rule revolves around concern for their own ass. Recalling the Pentagon Papers case, the Times writes, "Congress should examine with meticulous care the fine print in Mr. Ford's proposal for a 'Secrets Law'." The Harriman forces are planning to stage a controlled debate in Congress that will center around guaranteeing that the anticipated Bonapartist regime will have a hands-off policy toward the Rockefeller-Harriman press.

Katherine Graham and her Washington Post were ecstatic about the fiat in a Feb. 23 editorial: "a reasonable starting point...notably serious and comprehensive...It is not a proposal to create an Official Secrets Act...it does not propose to punish journalists for revealing intelligence information."

As the "liberal" corporatists set up Congress, the Wall Street intelligence dictatorship is laying its cards openly on the table. In the last several days the Justice Department has dropped charges against former CIA chief and notorious criminal Richard Helms, while at the same time opening up with great fanfare investigations of two dissident Democratic Congressmen, Addabbo and Leggett, for alleged small-time bribe-trafficking. And yesterday, Harriman-Rockefeller insider William Paley, the CBS media baron, summarily relieved Daniel Schorr of his duties at CBS.

Atlanticist lackeys with Congress were quick to salute the police-state drive. Sen. Mike Mansfield (D-mont), who together with Sen. Hugh Scott (R-PA) is fronting for a cleaned-up version of the notorious fascist S-1 bill, greeted the Ford fiat as "a good first step." So did Sen. Walter Mondale, (D-Minn) who querulously added that Congress might have been consulted first but pledged that "we will work with the President" for "the reform of the intelligence community." Slave-labor advocate Sen. Hubert Humphrey (D-Minn) also reportedly expressed enthusiasm over Ford's proposals to CBS reporters.

The Reemergence Of Rockefeller

Chicago Sun-Times columnist Jerome Watson warned on Feb. 25 that "poor Nelson Rockefeller" who, "with all that money, talent, experience, ego and ambition rotting away in the Vice Presidency," must be viewing Gerry Ford and Ronald Reagan as his "political inferiors," ... "who are vying for the thing Rocky hungers for: the Republican presidential nomination."

It has now been learned from highly-placed sources in the Illinois Republican Party apparatus that Rockefeller met with 30 top party leaders in the Midwest last month in Dearborn, Mich., and told them that "if Ford runs into trouble" with Reagan — then he will publicly enter the race for the nomination.

Such statements are consistent with Rockefeller's renewed high profile, which saw the vice president make a half dozen major public appearances this week. Observers noted that Rockefeller "seemed to be acting as his own man." At least a few media commentators remarked that Rockefeller was still an able campaigner — though none were bold enough to openly say what he was campaigning for.

A tip off that Rockefeller is indeed back in the thick of things is the reemergence of nuclear war propaganda in the bourgeois media. Over the past few days, "news analysis," special features and uniquely slanted news coverage in major U.S. dailies have emphasized the possibility of nuclear war breaking out in the not-distant future, with an included renewal of discussion around the discredited "Schlesinger Doctrine" of "limited nuclear war."

The Feb. 26 edition of the Washington Post laid "white propaganda" on this count thickly across its front page, with the story of a secret underground vault containing billions of U.S. banknotes in the aftermath of a nuclear holocaust. "Computer war games by the FPA," Federal Preparedness Agency Official Daniel Cronin is quoted as saying, "predict that half the American population would survive even an all-out nuclear strike... so, we're really not talking about the end of the world."

The following day's editions of both the Post and the Baltimore Sun gave prominent coverage to comments on an alleged Soviet nuclear build-up by Malcolm R. Currie, Defense Department Director of Research and Engineering. Soviet leaders regard nuclear war as "inevitable" and are therefore rapidly increasing their nuclear arsenal, according to Currie, who demands that Congress submit to greater defense budgets. "Strategic deterrence must be in terms of the Soviet Union understands deep down in their guts," declared Currie. He then stated that even without Schlesinger himself, the former defense secretary's "doctrine" was being implemented now, and that more accurate U.S. missiles were now an objective of defense research and development.

Two months ago, forces around the 84 year old former New York Governor Averell Harriman and investment banker George Ball had assumed hegemony of the Atlanticist camp on the basis of their opposition to this policy. Now with the collapse of their feeble policy initiatives, all factions of the Atlanticist camp are falling back on Rockefeller policy of the 1974-75 period — nuclear war showdown with the Soviets,

energy development programs, hard line to the Third World on the debt question and top-down, police state rule in the advanced sector.

Thus in six major public appearances this week, Rockefeller dusted off his discredited economic programs and cold war threats and proposed them as the solution to the country's problems. The Vice-President backed up this press buildup by demanding a massive U.S. arms production to counter "Soviet expansionism," resurrected his call for a \$100 billion federal handout to the multinational oil companies for "energy independence" projects based on slave-labor, and recommended police state measures to suppress what he called "special interest groups."

Rockefeller has opened every one of his speeches with plaudits for his nominal boss to President Ford for doing "an excellent job," then proceeding to outline his own fascist proposals which admittedly "do not purport to be Ford Administration policy."

At the National Press Club in Washington, D.C. Feb. 19, Rockefeller steeped his audience in tales of a "Communist drive for world domination," warning that detente must be tempered with this understanding. His unmistakable "special interest group" reference to the U.S. Labor Party and Congressmen's working class constituencies was coupled with a vow of support for police intelligence agency "covert operations."

On Feb. 23 at the Boston convention of the American Association for the Advancement of Science, Rockefeller told the assembled scientists and engineers that arms production was not wasteful because it put people to work and had technological "trickle-down" effects for the whole economy. Pointing to Soviet technological breakthroughs in weapons development, he demanded that U.S. scientists put their "creative powers" to work developing new and more powerful weaponry for the "productive" rearmament of the nation.

The following day's New York Times carried an Op Ed column by Rockefeller, again pushing his "Energy Independence Authority," which would give hundreds of billions of dollars to U.S. oil companies and enslave unemployed workers in "energy development" work-camps. Rockefeller appropriately cited the "precedent" for this boondoggle in the government's wholesale gift of public lands to the railroad "Robber Barons" in the 19th century. Rockefeller was simultaneously telling the Feb. 24 National Governors Conference session of the need to "streamline" the national welfare system, primarily with a view to forced labor.

Spearheading the Atlanticist swing back to nuclear confrontation and Rockefeller-style police-state austerity programs, Rockefeller's personal campaign for the presidency has only just begun. Following a barrage of public appearances across the U.S. in the next few weeks, the Vice President will begin a world tour on Mar. 20, beginning in Paris and proceeding to whistle-stop in Indonesia, Australia and other nations in the Mideast and Asia.

GAO Report On The FBI Is An Incompetent Fraud

In a case of massive official fraud, government corruption, and bureaucratic incompetence surpassing anything turned up during the Watergate scandal, Comptroller General of the United States and General Accounting Office (GAO) head Elmer B. Staats issued a 232-page pre-packaged report Feb. 23 calling on Congress to legalize Attorney General Edward Levi and FBI Director Clarence Kelley's plan to wreck the 1976 elections and rip up the U.S. Constitution.

Purporting to be the result of an independent year-long investigation of illegal FBI domestic intelligence operations with recommendations for reform, the GAO "findings" are admittedly copied directly from FBI field office summaries, and its "reform" proposals are taken almost word-for-word from one-time Nazi collaborator Levi's "anything goes" fascist guidelines for FBI conduct put forward in testimony before the House Judiciary Committee Feb. 11!

The crude GAO lie demands that Congress rubber stamp the attempted imposition by the Justice Department and its FBI paramilitary shock troops of a police state in the U.S. to protect the nation from 18 listed "subversive" and "extremist" groups — 14 of which are under the full command and control of the FBI and the CIA, and one of which no longer even exists!

In a section listing the 18 subversive and extremist organizations, the GAO report lumps in the National Caucus of Labor Committees, and the independent Nation of Islam with an aggregation of FBI-CIA counter gangs. Since the police control of groups like the CPUSA, the Symbionese Liberation Army, the Weathermen, is a matter of public record, the report itself is a fraud to give the FBI cover for further counter gang terrorist deployments against the U.S. Labor Party and the U.S. population.

The GAO report lists the following organizations as subversive:

Communist Party USA — According to the Nov. 19, 1975, testimony before the Senate Select Committee on Intelligence of staffer FAO Schwartz III, the FBI began in 1956 to take over the CPUSA, an operation "which was largely successful." The Committee report confirms that whole sections of the organization were completely captured by the FBI and that by 1963 agents bragged to J. Edgar Hoover that the party could not even lead a "fishing expedition."

Socialist Workers Party — so police-controlled that the police claimed that it could not permit its FBI agents in the organization to miss its 1974 National Conference without disrupting proceedings.

Progressive Labor Party — well-documented collaboration with the police to disrupt USLP organizing and acts as agent provocateurs in CIA busing riots.

October League — same as above

Revolutionary Communist Party — new name for FBI's Revolutionary Union, created by Bruce Franklin, Air Force Intelligence officer, run by CIA agent William Hinton.

Students for a Democratic Society — defunct

Weathermen — begun by Mark Rudd, agent provocateur, who received CIA funds through Marcuse family.

Venceremos Brigade — amalgam of FBI counter gangs with heavy influence from Bruce Franklin.

Vietnam Veterans Against the War — front group for the Revolutionary Union.

National Caucus of Labor Committees — the only communist organization in the United States.

The report lists the following organizations as extremist:

Black Panther Party — totally destroyed by government murders and frame-ups.

Black Panther Party (Cleaver Faction) — a one man show: police agent Eldridge Cleaver.

Symbionese Liberation Army — CIA gang of brainwashed zombies created by CIA agent Colton Westbrook out of Vacaville Prison; agent nature of this group widely acknowledged, even in New York Times editorial columns.

A right-wing group not publicly disclosed — could be any of several FBI-Military Intelligence fronts such as the Secret Army, Legion of Justice, or Minuteman.

Ku Klux Klan — According to findings of Senate Select Committee on Intelligence, between 70-75 per cent of Klan's new recruits are employees of the FBI. Senator Morgan (D-NC) a Committee member, revealed in a press statement two months ago that in North Carolina alone, 41 KKK klaverns were not only funded and infiltrated but created by the FBI.

American Indian Movement (only extremist element) — run by FBI Military Intelligence.

Nation of Islam — black organization independent of all police agencies.

black organization independent of all police agencies.

The GAO report also quotes approvingly without comment the following interesting FBI observation: "How then to deal with the individual, unaffiliated extremist or subversive anarchist or potential terrorist? Some of the more infamous acts of recent violence have been perpetrated by people such as Lee Harvey Oswald, Sirhan Sirhan, Arthur Bremer, James Earl Ray, and others, not known to have espoused the cause of any organized subversive or extremist group."

No Investigations

The GAO was ordered by the House Judiciary Committee to investigate the FBI. In total disregard of this mandated responsibility, the GAO turned its investigation into a libelous witchhunt against the NCLC. In the introduction to this section, the NCLC is the only organization mentioned. The report seditiously states: "FBI officials were continually concerned about small Marxist-Leninist study groups suddenly transforming into armed revolutionary bands. As an example, the FBI mentioned the National Caucus of Labor Committees, once an ineffective, loosely knit group, which is expanding rapidly under new national leadership."

The GAO admits in its reports that it was improperly denied access by the FBI to the relevant alleged factual data on which its allegations against the NCLC were predicated. The GAO report was based solely on summaries by FBI field offices. The accusations against the NCLC and its membership constitute libel per se in that they allege criminal activities and are malicious in that admittedly no effort was made to seek verification of the allegations. The Labor Committees are planning legal action.

Investigation: NCLC

The report notes a sharp shift away from FBI "investigations" of "New Left" groups beginning in 1973 (they had all been taken over by then) and a new focus on a certain unnamed "subversive group": "In a directive of October 4, 1973...agents were instructed to direct 'forceful and imaginative investigative efforts' at the organization's organizing and recruiting activities...This followed a communication of September 25,1973 which directed offices to — intensify — (the group's) investigations with special emphasis on the development of members informants.' ...'Your progress in this matter will be closely followed at FBI (headquarters)' ...The pressure on field offices was maintained in a directive of March 6,1974, which said: 'The development of member-informants is vital to our investigation of the —(group)...implement a program whereby genuine efforts are utilized to develop quality informants.' "

Three FBI informants who attempted to infiltrate the NCLC during the October 1973 - March 1974 period were uncovered and their confessions are a matter of public record.

* William Rini, in March 1974, joined the Labor Party in Cleveland following FBI instructions to gather psychological profiles on NCLC members, names and addresses of Party supporters, and the names of financial donors. He also admitted that he had informed the FBI in advance of USLP street rallies that were subsequently disrupted by police arrests of party members at the site.

* Vernon Higgins in the same month joined the Labor Party in Detroit and became a USLP candidate for public office and attempted to discredit the USLP with racist statements; his confession revealed a long career of service to the CIA, OSS, and Naval Intelligence, including participation in the Bay of Pigs invasion and the Pontiac school bus bombings.

* Anthony Banks joined the Labor Party in Newark in October 1973, at the beginning of the Rotonda-Speed municipal electoral campaign, carrying out FBI orders to steal membership lists and phone numbers; and in the process prejudicing the trial of seven USLP members pending in Newark in the months to come.

The GAO And Staats

The GAO, contrary to popular myth, is not an independent nonpolitical agency in the legislative branch, but an instrument of the executive and Wall Street used to manipulate and bully Congress.

Moreover, the GAO is Wall Street's official debt collector in Washington! According to the United States Government Manual "The General Accounting Office settles claims against the United States as required by law or by the United States where there are questions about the amount or propriety of the debt, or the liability of the debtor, or the administrative agency has not been able to collect the debt. Claims for or against the United States may involve individuals, business entities, or foreign, state, and municipal governments as claimant or debtor."

Who is this Elmer B. Staats that Averell Harriman and Nelson Rockefeller had appointed their political debt collector and now count on to help terrorize Congress into legitimizing the imposition of police state rule? Staats is a former research director of the Harriman-allied Marshal Field and Co.; from 1954-1958 he was the executive officer of the National Security Council's Operations Coordination Board; in 1961, the recipient of the Rockefeller Public Service Award.

NEW YORK, Feb. 26 (IPS) — The following statement was issued today by U.S. Labor Party presidential candidate, Lyndon LaRouche:

“The libelous characterizations of my organization as subversive and violent by the FBI and the General Accounting Office (GAO) represent an open escalation in Attorney General Levi’s attempts to disrupt my 1976 presidential campaign and my organization’s efforts on behalf of debt moratorium and the proposed International Development Bank (IDB).

“If these findings and the recommendations of the GAO report for ‘preventive action’ were to be adopted by Congress, Congress would be explicitly legalizing the imposition of police-state methods to wreck the 1976 elections and to destroy the U.S. Constitution.

“In Chapter 5 of the GAO report, the National Caucus of Labor Committees (the core organization of the U.S. Labor Party) is the final organization on a list of ‘subversive’ organizations. The report later states that the FBI is ‘continually concerned about small Marxist-Leninist study groups suddenly transforming into armed revolutionary bands. As an example, the FBI mentioned the NCLC, once an ineffective, loosely-knit group which is expanding rapidly under new national leadership.’

“The FBI ‘subversive’ list is not only an attempt to revive the old Attorney General’s subversive list from the 1950s, but it is targeting the NCLC and the USLP for the specific purpose of continuing and escalating ‘dirty tricks’ and terror operations against supporters of my campaign and supporters of the Labor Party’s programmatic proposals.

“This is made absolutely clear from a review of the other organizations listed as ‘subversive’ or ‘extremist.’ With the sole exception of the Nation of Islam, every other organization is directly controlled by the FBI or other intelligence agencies. These organizations, such as the Communist Party USA, the ‘Revolutionary Communist Party,’ and the Ku Klux Klan, are straight FBI deployments against the Labor Party. They are part of an ongoing operation which would be legalized as ‘preventive action’ under the proposed guidelines.

Put the FBI on Trial

“The FBI is now frantically trying to cover their tracks and defend themselves against the charges of illegal activities we have constantly made against them. We are putting the FBI on trial in five civil cases in Federal Courts. The suit filed in my name against FBI Director Kelley, Levi, and the FBI in Federal Court in New York, is exactly on this point: That the FBI’s public characterization of the NCLC and the U.S. Labor Party as ‘violence-prone’ is done for the deliberate purpose of disruption of my campaign and other election campaigns of the Labor Party.

“In three other federal cases already filed (in Detroit, New Jersey, and Reading, Pa.) and in one pending case in Ohio, we are charging the FBI with conspiring to disrupt Labor Party election campaigns.

“The GAO report frankly admits that the FBI is scared of these cases, with its references that political candidates of the NCLC (and the FBI-run SWP) not be directly investigated. But the report admits that any investigations of political candidates are carried out under the direct instructions of FBI headquarters — a key point which we have already alleged in holding Kelley and Levi responsible in court for the illegal activities of their field agents.

“We demand that the Congress reject the GAO report out of hand and that instead, it proceed with the urgent business of investigating illegal FBI interference in the 1976 elections and with holding hearings on our own proposed Law Enforcement Reform Act of 1976.

“We will be entering Federal court next week for an emergency injunction against both the GAO and the FBI — to enjoin the GAO from circulating or using their recent report, and to prevent the FBI from further disrupting my election campaign through its baseless characterization of my organization as ‘violence-prone’ and ‘subversive,’ and through its ‘Smith Act-McCarran Act’ investigations of NCLC and USLP members.

“If Congress capitulates to the FBI’s crimes, it is writing the epitaph for constitutional government in the United States. It is up to the organized force of the U.S. working class to see that this is not allowed to happen.”

SPECIAL REPORT

Influenza Epidemic Signals Holocaust In Advanced Sector

Feb. 28 (IPS) — Massive outbreaks of influenza in North America and Europe signal the entrance of incipient ecological holocaust conditions into the advanced sector, as a direct consequence of the intense austerity implemented over the past months. Only an immediate increase of food supplies and production, together with the expansion of medical, sanitation and other vital services, can prevent the present epidemic from becoming the first in a series of self-feeding plagues.

The influenza, mainly the "Victoria" strain, has been spreading for the past two months, in the past week with tremendous virulence, especially in the regions hit hardest by Wall Street's austerity drives. In debt-ridden New York City, influenza-related deaths from pneumonia rose to 243 for the week ending Feb. 20, a nearly 20 per cent increase in the total death rate, and the highest rate since 1940. Approximately 3 million people, or one third of the city's population, has the flu, according to New York City health officials. In the meantime, the banks have ordered the city to begin instituting a 20 per cent reduction in the hospital budget.

Great Britain's Health Department reported 762 deaths from flu last week, triple the week before and a 15-fold increase over normal levels. This represents a 10 per cent increase in Britain's overall death rate. It is estimated that over one million Britons are now infected. Chancellor of the Exchequer Denis Healey has meanwhile proposed a \$300 million cut in the national health budget to free cash for debt service.

As this "normal" strain of flu rips through populations whose resistance to disease is being destroyed by the deliberate collapse of living standards, the danger from the new "swine flu" strain continues to grow. This new variety, similar to the strain responsible for the deadly 1918 influenza pandemic in which 20 million died worldwide, is potentially a far more deadly variety than the now dominant Victoria strain.

Discovered last week at Fort Dix Army Camp in New Jersey, the swine flu strain has now been found in 67 men in the camp. It is the result of a recombination of flu viruses from human and swine varieties of the disease, and probably came first from Third World areas where humans and animals are forced to inhabit the same living space.

The generation of new flu types, such as the "swine flu," is the inevitable result of the policies of deliberate triage and austerity. Minor changes in flu types occur regularly and are responsible for the annual or semi-annual moderate epidemics. Major changes produce new strains which are not susceptible to immediate immunological control. Such changes result from the recombination of parts of a human flu virus with parts of a flu-type virus found in animals. According to the prestigious journal *Science*, "such new subtypes have generally emerged and will continue to emerge in Asia, where men and animals continue to dwell in

the same buildings." Retaining the capability of attacking human tissues, the new flu virus is so changed that the individual has not previously developed an immunity against it.

According to a spokesman for Walter Reed Hospital, now investigating the current cases at Fort Dix, "There's no question that the new 'swine flu' is transmissible from human to human. As for whether it now exists outside of Fort Dix, you bet it does. The only reason it was picked up first by the military was because we test more frequently for it," than do civilian health services.

Epidemiologists investigating the swine flu insist that the disease must have originated outside Fort Dix, and was discovered there only because of U.S. Army health testing. The real extent of the dangerous strain is at the moment impossible to determine, since the U.S. and other public health authorities have suspended regular epidemiological testing as part of austerity budget cuts!

"Normal" flu continues to rampage throughout Europe and the U.S. Denmark reports that one quarter of its population, one-half million people, is currently ill with the infection. West Germany is seeing huge epidemics in the bankrupt municipalities of the Ruhr region. In the U.S. nearly every state is heavily affected, with 15 states reporting "widespread epidemics." In heavily hit areas health facilities are overwhelmed. In Rochester, N.Y., for instance, Highland Hospital has cancelled all non-emergency surgery, while other hospitals have restricted visiting hours to decrease spread of the infection. Connecticut reports "exceptionally high mortality" associated with the flu.

Nor is the Third World exempt. Mexico City, for example, reports that more than half of its population is infected, overcrowding the already inadequate hospitals.

Grim Parallel

In 1918, as now, the world was devastated by the consequences of a capitalist breakdown crisis. From the 1913 depression through the chaos and grinding austerity of World War I, living standards had plummeted. Food consumption had dropped to famine levels in Asia and most of Europe. The potato crop, blighted by an earlier disease wave, had failed, spreading hunger through Germany and Eastern Europe. Imperialist blockade was ravaging the infant Soviet Republic. Under such conditions the population's resistance to disease demolished. A precisely similar process, on an even more gigantic scale, is taking place today.

The 1918 flu, or "swine flu," most likely began in Asia as a result of a recombination of human and pig flu viruses, though, like the present "swine flu," it was first picked up in a US army post, Camp Funston in Kansas. Notably, the flu started in March of the year 1918, at the end of the usual winter "flu season," just as the current "swine flu" was first picked up in February at the end of the normal flu season. From Camp Funston, the disease spread rapidly with

enormous mortality rates to dozens of other army bases, prisons, and other crowded institutions around the U.S.

With the first landing of US troops on the French coast it spread directly into Europe. Within two months all parts of Europe had been hit with the disease.

By June the flu had crossed back into Asia, entering China and reaching as far as the Samoan Islands and New Zealand. In India, five million perished, the Hooghly River, flowing from Calcutta to Bengal, was described as being "choked with bodies."

By July-August it had recrossed the Atlantic to infect the civilian populations of the US east coast ports, and thence inland to California and north to Alaska and Canada. By October 1918, the entire US was engulfed in a major epidemic with searing death rates. Emergency tent hospitals were set up. Libraries and other public areas were closed. Even barber shops were shut. The Army Sanitation Corps issued a general advisory to the population that "the universal practice of hand shading should be stopped immediately." All police in Seattle and several other cities were required to wear face masks.

These precautions were to no avail. The New York City death rate from the disease soared to 800 per day; in Pennsylvania, 1000 died per day. By December, 20 million dead worldwide, one half million in the US! In New York State alone, 20,000 had perished.

According to epidemiologists the pattern of flu spread is "extremely unpredictable." By the above description of the 1918 pandemic, a flu pandemic would extend far beyond the winter-spring season.

Vaccine Panacea

The New York Times and other Wall Street mouthpieces have attempted to quiet the current panic over a possible flu pandemic by assuring their readers that a flu vaccine will be ready in four to six months. But flu vaccines are only 50 to 70 per cent effective, and under present conditions could not be produced and administered on the scale necessary to protect the world's four billion people. Nor can antibiotics be called upon to save those hit with secondary bacterial infections following debilitating bouts of flu.

The extent of the incompetence of a vaccine "solution" proposed in the context of depression collapse is indicated by the obvious inevitable results of cramming millions of people into already overwhelmed health facilities for their shots. While spreading the original disease, such a procedure would encourage the development of new strains, immune to antibiotics, which would spread unchecked through increasingly low-resistant populations.

A worried epidemiologist at the U.S. Public Health Service explained that sample testing of the population at large should be done to get an accurate reading of the present outbreak of flu, "but our federal funding is limited and shrinking, so all we can do is wait for samples to be sent to us from doctors. As you would expect from such a system, we end up with a spotty and inaccurate picture. It's the same situation with plague, encephalitis, you name it."

A massive vaccine program can be effective only in conjunction with a rise in living standards world-wide, stressing the immediate consumption of existing food reserves and the immediate funded expansion of food production. This is the only way to turn back the flu and the score of diseases which will otherwise follow in its wake.

SPECIAL REPORT

Excerpts From Brezhnev Speech At CPSU Congress

Feb. 28 (IPS)— The following are excerpts from the 5 hour address delivered by General Secretary of the Communist Party of the Soviet Union Leonid Brezhnev at the 25th Party Congress Feb. 24. Translated from the Feb. 25 Literaturnaya Gazeta:

"Much depends on the policies of the ruling (Communist) parties, on their ability to safeguard unity, to fight against seclusiveness and national isolationism, to take into account their common international tasks, and to act jointly to carry out these tasks...

"We see in foreign economic relations an effective means of solving political and economic tasks. Through economic integration, the might and cohesion of the socialist community is strengthened. Cooperation with developing countries facilitates the reconstruction of their economies and their social life on progressive principles. Finally, economic and scientific-technological ties with the capitalist state solidifies and broadens the material base for the policy of peaceful coexistence.

"One characteristic of our time is the growing use of the international division of labor to develop each country, regardless of its wealth and the economic level it has achieved...

"There are other, broader aspects of foreign economic activity. Today there are important and urgent global problems, such as raw materials and energy, the elimination of the most dangerous and widespread diseases, protection of the environment, exploration of the cosmos and use of the resources of the Pacific Ocean. These problems will have an increasing influence on the life of all people and on the entire system of international relations. Our country and the other socialist countries cannot stand aside from the solution to these problems, which concern the entire human race...

"In foreign economic relations, politics and economics, diplomacy and commerce, industrial production and trade are interconnected in a single whole. Therefore they have to be approached in an integrated fashion, unifying the efforts of all state organs, all our political and economic interests. This is how the Central Committee of the Party formulates this important question.

"Communists of different countries follow one another's work with interest and understanding. Differing opinions may arise from time to time, different approaches to one question or another... But Marxist-Leninists approach such questions from the standpoint of internationalism, concern for strengthening the unity of the movement, and discuss problems that arise in the spirit of genuine comradeship, on the basis of equality and respect for the independence of each party. Of course, there can be no question of compromise on principles, of reconciliation with views and actions which contradict Communist ideology. That is final.

"The capitalist world is bursting with an economic crisis whose severity and depth, as bourgeois spokesmen admit,

can be compared only with the crisis of the beginning of the 30's... Communists are far from predicting the 'automatic collapse' of capitalism. It has not a few reserves. However, events of the past few years confirm with renewed force that capitalism is not the society of the future. (Prolonged applause)

"Communists proceed in their struggle from the general lawfulness of revolutionary development and of the construction of socialism and communism... And it can be confidently stated that if concessions to opportunism may give some kind of temporary advantage, in the final analysis they can only harm the party.

"I would like particularly to stress the importance in our time of proletarian internationalism. It is one of the most important principles of Marxism-Leninism. Unfortunately, there are some who treat it in such a way that there is little left of internationalism. One even finds people who openly propose to renounce internationalism. According to them, the internationalism which Marx and Lenin founded and defended has become antiquated. But in our opinion, to renounce proletarian internationalism would mean to deprive the Communist Parties and the workers' movement in general of a powerful and tested weapon. (Prolonged applause). This would be a good service to the class enemy, who, it must be said, is actively coordinating his anti-communist activity on an international scale. We Soviet Communists consider the defense of proletarian internationalism the sacred obligation of every Marxist-Leninist."

RELATIONS WITH THE SOCIAL DEMOCRACIES

"Contacts with socialist and social democratic parties have broadened... It goes without saying that there can be no question of ideological rapprochement of scientific communism with the reformism of the social democrats. Among social democrats there are not a few whose whole activity is premised on anti-communism and anti-Sovietism. There are even parties where people are punished for having contact with communists. We will fight against any such phenomena, since they only play into the hands of reaction...

"Detente does not and cannot abolish the class struggle. No one can expect that under conditions of detente the communists will reconcile themselves to capitalist exploitation or that the monopolists will become revolutionaries. Thus the strict observance of the principle of non-interference in the affairs of other states, respect for their independence and sovereignty — this is the indispensable condition for detente.

"We do not hide the fact that we see in detente the road to the creation of more favorable conditions of peaceful socialist and communist construction. This only goes to show that socialism and peace are inseparable."

SPECIAL REPORT

Grid Of Press Response To Brezhnev Speech

Feb. 28 (IPS)— The following is a selected grid of U.S. and Western European press response to the Feb. 24 speech by Soviet Communist Party Chairman Leonid Brezhnev at the 25th CPSU Congress:

UNITED STATES

New York Times - Feb. 25

"Brezhnev Declares Detente Aids Soviet Growth," - "Mr. Brezhnev painted a bright picture of rising Communist fortunes in the world arena that he contrasted with the West's economic difficulties. While Communists are far from predicting capitalism's collapse, he said, its recent troubles 'forcefully confirm that capitalism is a society without a future.'"

New York Times - Feb. 26

(Editorial) - "Mr. Brezhnev declares sonorously that he is for detente...disarmament,...Soviet-American cooperation and trade... But he professes to see no conflict between these laudable ends and the heavy Soviet participation in the Communist conquests of South Vietnam, Laos and Cambodia and in the Cuban conquest of Angola. Detente, as Mr. Brezhnev sees it, does not 'in the slightest abolish the laws of the class struggle.' Inevitably, therefore, many Americans will see detente as merely a convenient setting for the Soviet Union and its allies to apply 'salami tactics' to destroy the non-Communist world, nation by nation... Such little surprise as there was in the Brezhnev report came in the...candid discussion of the last five-year plan's failure to meet its goals for agricultural products and consumer goods... The causes of the Soviet failures...lie ultimately in the top priority that the military enjoys to comander the Soviet Union's best human and material resources... The standard of living remains disgracefully low in the country that may be militarily the most powerful in the world."

Washington Post - Feb. 25

"(Brezhnev's emphasis on raising the technical-scientific level of industry) appears to assure that the Kremlin will go on seeking expanded trade with the West, which has already risen more than 170 per cent in the last five years. He mentioned, apparently for the first time, agreements with Western firms for handling raw materials and partially processed raw materials. He also suggested that Moscow acquire Western partners in processing such materials. 'Economic and trade ties with capitalist states,' Brezhnev declared, 'strengthen and expand' the policy of 'peaceful coexistence'." "... (Brezhnev) without naming them, delivered a tough rebuke to Western CP's such as those of France and Italy..." "There can be no question of compromise on matters of principle, of reconciliation with ties and actions contrary to the Communist ideology'."

Baltimore Sun - Feb. 25

"Brezhnev Extols Detente" - "The Soviet leader laid down a firm ideological line. Internationally, he warned the world's Communists that 'compromise on matters of principle...is ruled out,' and reminded them of their 'sacred duty' of 'proletarian internationalism,' meaning adherence to the common party line as enunciated in Moscow. Domestically

he called for vigilance against 'hostile ideological diversions,' and praised the Soviet secret police, the KGB. His summary of Soviet policy in foreign affairs, by contrast, was moderate almost to the point of blandness."

Chicago Sun-Times - Feb. 26

"Gaps in the Marxist Cloud" (editorial) - "The speech in short contained a few bright gaps in a dark cloud of Marxist orthodoxy. It is in the interest of the U.S. and world peace that these gaps be examined and widened."

Detroit News - Feb. 26

"As Brezhnev said: the USSR uses detente to its own advantage."

WESTERN EUROPE

GREAT BRITAIN

London Times - Feb. 25

(editorial) - "One of the most significant passages in Mr. Brezhnev's speech yesterday was when he said that practically every weekly meeting the politburo discussed foreign affairs and that there was now no corner of the world which in one way or another was not taken into account in formulating Soviet foreign policy. In other words, the Soviet Union is now a super power with world wide concerns and interests, just like the United States ... What matters ... is that it has served notice in both words and actions of its intentions of promoting its interests in all parts of the globe ... American hopes of linking commercial and strategic agreements with restraint in this field will be respected only to the extent that the Soviet Union will avoid military confrontations in areas judged essential to American interests."

Financial Times - Feb. 25

"In other words (Brezhnev said) that detente is ideologically motivated and the war of ideas must continue ... this should clear the air, though it will not necessarily make detente easier."

ITALY

La Stampa Feb. 25

"Brezhnev Cautious on Detente, Criticizes Soviet Economy" - "Brezhnev broke up his interminable speech ... over five hours ... 140 page text ... into three parts. First, international policy ... second, internal economic policies ... third, internal policy and ideology ... The most important passages ... China ... Detente with the West..."

Corriere della Sera - Feb. 25

"Brezhnev: We Are the Strongest and Capitalism Is In Ruin" - "Five years ago ... the international situation was still a determining factor in the internal development of the USSR. Today, the Soviet power is one of the fundamental determining factors in the international situation. This, in sum, was the leading theme of Brezhnev's speech ... 'Our party will not remain passive in the face of this change, we are ready to confront the U.S. in any part of the world ... capitalism is in collapse ... and the Soviet Union is adapting to the new situation being created in the world' ... All who were at the Congress had no illusions that capitalism could get out of its crisis ... The strong presentation of foreign policy led Brezhnev to denounce internal productive shortages. The Soviet Union does not renounce the perspectives of

major trade with Western capitalists. But only on the condition that they are aware the Soviet Union is not a weak beggar, but ... an equal partner."

WEST GERMANY

Die Welt - Feb. 24 (on the opening of the Congress)

"The Old Gentlemen's Invitation to a Spectacle" — "(The old age of the CPSU leadership) results on the one hand (in) 'conservatism' ... an outright panicky fear in face of domestic and economic experiments ... The Party cannot get itself to touch the 'Kolcho system' — those production communes whose failures have been obvious for decades ... The foreign policy dynamic ... is in a certain sense a consequence of the internal confusion at the head of the Soviet government. The leadership ... become glowing revolutionaries ... believe that the victory of communism over capitalism on a world scale would also sweep aside all of the internal problems of Moscow and the Eastern Bloc ... Thus today and in the coming days, we will see how the generation of grandfathers in Moscow during the congress deliver youthful pronouncements on the revolution and changing of the power relations on a world scale."

Frankfurter Allgemeine Zeitung - Feb. 27

The paper ran a full page of "objective" coverage including a ten inch section entitled, "The Holy Duty of Communists-Proletarian Internationalism," featuring quotations from the speech.

FRANCE

Le Monde - Feb. 27

"On Wednesday, as in Mr. Brezhnev's address, congress delegates heard the leaders of several foreign delegations attack the Communist Parties of the West. One of them ... criticized those parties who want to 'cut Marxism-Leninism into national slices'".

L'Humanite (Communist) - Feb. 27

"Although the PCF has not been cited once since the beginning of the congress, numerous commentators claim that it is the target of a few orators who rise against opportunism, revisionism and nationalism. The PCF feels in no way concerned by the statements. Fully conscious of its national and international responsibilities, it has just defined at its 22nd congress a policy which aims at opening an original democratic way to socialism to build a socialism in the colors of France ..."

SPECIAL REPORT

Milan Investment Counselor Polimeni: 'Austerity Will Kill Italy'

MILAN, Feb. 29 (IPS) — Respected Milan investment counselor Italo Polimeni, publisher of an influential monthly market newsletter, agreed to the following interview as part of his counterattack to the Watergate operation launched against him this week by the Italian Atlanticist machine.

IPS: You have been under enormous attack in the last four days with articles appearing in *Sole 24 Ore*, *La Repubblica*, *Panorama*, *Il Giorno*, etc., attacking you for "manipulating" the stock market. What is the reason for these attacks? Where do they come from?

Polimeni: It's a political question and has nothing or very little to do with the stock market. Recently, I wrote a reserved letter to my clients and since then, I haven't had a moment's peace. I've been under constant attack. In the letter I stated my views on the current Italian situation, clearly stating the austerity program being proposed by Moro — and the PCI is with him on this — would destroy the economy and bring Italy to a situation of civil war.

IPS: You actually talked of civil war?

Polimeni: Of course! These people are crazy. They think they can throw the workers out of the factories, bring the population to the point of starvation, provoke mass discontent close to civil war, and thus force everyone to think that some "saviour" is necessary. That's the plan and the saviour is Berlinguer. Absolute madness, they don't know what they're doing. I said this in my letter and also said that the only solution to the situation would be an anti-austerity government led by Mancini and Andreotti. That is the reason for the slander campaign in the Agnelli press.

IPS: So Agnelli is behind it?

Polimeni: Of course. There are some people who would like to see only FIAT stocks make money (Ha Ha). But the real reason is political. Agnelli wants austerity and wants the PCI in the government.

IPS: What do you think would happen if the PCI went into the government?

Polimeni: God Forbid! Are you crazy? I would be the end of Italy! Poor Italy! The people would kill them (the Communists)! What the hell do you think? If Berlinguer pushes austerity and people starve, if Berlinguer unleashes the Carabinieri (national military police — ed.) on striking workers and drives down the living standard, destroys imports and production, what else can the population do? They'll lynch him and the rest. No doubt about it.

IPS: What about the PCI's local politics, in Bologna, say, where they have a reputation for "good government?"

Polimeni: What? That's pure demagoguery. These people with their demagogic free transit have destroyed the cities. They've followed a deficit financing system, getting themselves sunk into debt all to have the "bella figura" of free transit on Sundays. These are the theoreticians of hunger. They're criminals. They are more interested in paying debts,

and making them, than transport. But what good are free buses if people don't have money to buy food? And what good is inflated money if there's nothing on the shelves to buy? They're destroying production and ruining the economy.

IPS: So you're not in favor of paying the debts?

Polimeni: Ha! How the hell can Italy pay its debts? If they, the politicians in Rome, had taken my advice three years ago when I sent them telegrams saying to devalue the lira and restart production from scratch, we wouldn't be in this situation. But now the lira is being devalued by international means and there's no way out but to stop paying the debts. If I have debts to pay and I don't have work, and if the debts are paid, then I destroy the possibility of ever surviving. If I don't pay the debts now, because I cannot, then at least I create the basis on which I can produce. That's the logic behind the situation right now. If Italy tried to pay its debts — and it couldn't even if it wanted to given the state of the economy, with less than 70 per cent of plant capacity utilized — then it would be the end of Italy. If we start from the premise that debt has to be paid, there is no hope. But if we start from the premise of survival, then everything changes. In order to make an economy work, you have to produce, it's simple. You can't get anything from austerity, it won't work. With austerity you destroy production and then increase taxes to pay the debt; increasing taxes creates inflation and then these idiots say you have to cut production by restricting credit — to "fight" inflation... Are they all nuts? But if you take the other point of view, another, opposite policy, then the Italian economy could begin an absolutely explosive expansion. We have the plant capacity, we have the labor force which is dying to work productively, we have trade relations for the raw materials we need: Italy can produce just fine and that is the only way to fight inflation, by producing. And to do it you have to get rid of the debt. But these idiots don't understand it. They think you can get blood from a stone. They don't see that in order to produce you have to make it possible for both the worker and the industrialist to do so. You can't expect the worker to work for nothing and kill himself, in order to die of starvation. The worker has to eat and his family has to eat. He's not an animal. If you want a productive and efficient economy you have to give the worker what he wants. If you don't, if you put him in a political ghetto and strangle him, you create a political crisis that will be out of control. Logical, No? And you don't increase production with austerity. Can't be done.

IPS: The Atlanticists have been pushing rearmament, both in the U.S., Ford's State of the Union speech, etc., and in Europe with the Tindemanns plan, which the PCI accepts. What's your view of this "solution?"

Polimeni: Insane! The military is an economic insanity. Look at the Italian Army (Ha!). Here you've got these poor wretches forced to spend twelve months in the army, where they get no military training — maybe get to shoot an old rifle

twice in twelve months. Now if there really is a need for an army for some reason then it should be brief and efficient. Soldiers could learn what they need to know in ten days and be free to have a decent job and earn a living.

IPS: But the Communists are pushing this European-wide. The PCI by now has won over the other CP's to its white communist line.

Polimeni: The Communists? They're finished. Berlinguer is finished. Brezhnev took care of that yesterday at the Congress (at the 25th Congress of the Communist Party of the Soviet Union—ed.) Brezhnev said it very clearly: "Look Berlinguer," he said, "Communism is something else. Communism is what we have done in the last fifty years. We made the revolution, we took power, we organized the economy. We are the Communists. Not you!" Berlinguer? He is not a Communist. He's not even a Social Democrat. He's a bad imitation of backward Christian Democracy! Don't make me laugh. Berlinguer a Communist? And as for Italy, the whole plan is finished anyway. Forlani has taken care of Moro — he's a dead duck — and Brezhnev has done the job with Berlinguer. They're politically done for.

IPS: The PCI despite its treachery and CIA leadership, still has its union structure, even though that, too, is crumbling. What are your views on the unions?

Polimeni: Now there's a good case for you. These people are criminals. Just take a look at what they did with the Innocenti case (Milan auto plant closed down-ed). Here we are in Europe with enormous unemployment, workers living off unemployment compensation and looking for jobs, and these poor devils at the Innocenti have been getting 80,000 lira per month (about \$65-ed.) for the last five months, since October. Why? Why is it that there and only there are they getting this pittance? Because certain circles in the ministries and certain circles in the trade union movement get together and decide that they would make a test case of the 4500 Innocenti workers. They decided to use these poor workers as guinea pigs to see what the levels of toleration are of the Italian working class! It's a filthy disgusting thing. By now, it's crystal clear: There is no "negotiation" or fight; the decision on what to do continues to be postponed day by day and week by week. And why just on this single case? Thousands of factories are in the same situation nationally. But only the Innocenti is being used this way. Why? A test case, a cynical laboratory experiment to see just how much a worker can psychologically and physically tolerate before he is destroyed. I wonder how the hell these people have managed to survive since October. 80,000 lira a month! That's the unions! That's Lama! (Luciano Lama - PCI head of the CGIL union confederation-ed.) They're things that make shudders run down your spine.

IPS: You know about the run on the lira organized by the New York banks and the fact that the dollar-deutschmark axis the Atlanticists want to build is based on forced devaluations of other currencies and brutal austerity?

Polimeni: They can play whatever they want. It won't work. It's true there are some cretins in Rome like Baffi who are willing to follow this crap. But it's total folly. What the hell are they actually doing with the lira? They drive it into the ground, then "offer" a loan, which doesn't exist anyway. Then they "lend" Italy dollars so that Italy can buy lira with them. For what? To buy more dollars! At least with some other countries, the Americans have had to promise wheat or goods. With Italy, no, and our politicians are stupid enough to

take it. What do they give Italy? Paper! Dollars! Total madness. Besides the dollar-deutschmark plan is crazy for West Germany, too. What the hell will they do with a revalued mark? Where do they think they can sell their exports? To Italy maybe, with all its paper? These people want one thing only: kill Italy, kill any possible recovery; that's the Moro-PCI plan.

IPS: What about the stock market in Italy? It's rising, isn't it?

Polimeni: Sure, but it has to. It's hot money from abroad coming in to buy up stocks at rock bottom prices. No one in Italy is buying, it's all foreign money. Obviously no one in Italy wants to invest in anything. How can they? Baffi and his crew in their "attack on the flight of capital" are planning to raise interest rates to "attract capital"! Crazy! Do you think people who have exported capital are going to bring it back in? For what? Raising the interest rates only destroys production more. These industries, especially now, are at the end of their rope. They can't survive. Some smaller industries are working because they have trade.

IPS: With the East bloc and Third World?

Polimeni: Right! Take the Soviets, for instance. You can say what you want about the USSR, and I have my qualms about certain internal political questions, but my God they put the economy together, people have jobs, they eat, they work, they earn a decent pay and they have a chance to enjoy life. The PCI is a different story. Brezhnev told 'em all right. The Communists have betrayed Communism, the bourgeoisie has betrayed its own class, and who is going to end up the winner? I'll tell you, the worker, the poor wretch who has been working his ass off all his life. That's who!

IPS: What do you think has to happen? You said the cause of the slander campaign against you was your support for Mancini and Andreotti. What do you think Mancini and Andreotti should do?

Polimeni: They should move to get a government together not based on austerity, taxes, credit restriction, etc., but on economic expansion. The moratorium! That's beautiful! It's necessary. They have to say that Italy can't and won't pay its debts. Then the economy can recover.

IPS: Why do you think Mancini and Andreotti are the people to do it? Is there anyone else?

Polimeni: They're the only ones. The only ones in Italy at least today with a different strategy than the historical compromise (PCI entry into the government-ed.). The historical compromise would be the ruin of Italy. The strategy is to exasperate the population, call the Carabinieri to shoot on the workers, and then the people will call for a national emergency government of national unity with everyone but the fascists and with a DC-PCI hegemony. And Andreotti and Mancini are the only ones who are fighting that. They're the only ones ready for economic development.

IPS: With all the Byzantine infighting going on, what do you think will happen?

Polimeni: Mancini will take over the PSI Secretariat at the next congress and Forlani will do the same in the DC (Christian Democracy of Andreotti—ed.). The two things are connected.

IPS: Can you tell me something about this Mr. Bozzi who was also implicated in the attacks against you? Is he an associate of yours? Why is he under attack?

Polimeni: Bozzi is the head of the Molini Certosa, a stock which I have told clients to buy simply because it's a good

stock. It keeps earning money. Now these idiots in Panorama say I "caused" the New York stock market to rise, too! But Bozzi is also the President of the Institute Finanziario Italo-Americano which the Credit Suisse is also in on. Ferdinando Bozzi has factories that produce machines for construction, food processing and mining. The food part is important. Since he's relatively independent of control, he can to a

certain extent guarantee an inflow of food products into Italy and that's what they want to stop. They want to starve the population, cut all imports.

IPS: Have you planned any action to counter these attacks?

Polimeni: No. There's no need to. It's all a question of credibility. People believe me, not them.



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EARLY EVENING REPORT
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I. PRIORITIES

BHUTTO SUPPORTS DEBT MORATORIUM, SAYS THIRD WORLD CRISIS VERY SERIOUS, ATTACKS "SWEDISH WAY"

Stockholm, Feb. 23 (IPS)--Pakistan Prime Minister Zulfikar Ali Bhutto reiterated Pakistan's long-standing position in favor of debt moratoria for developing sector countries at a press conference here yesterday. In response to a question on whether his government would support a call for debt moratoria by pro-development forces in Italy and by a group of Third World countries, he said: "The Group of 77 countries are those that have been by far most affected by the crisis....All these countries face serious balance of payments deficits. This state of affairs can not endure for long. It will inevitably affect the entire world economic order....But there has to be some solution. Everyone knows that drastic measures must be taken, and that the present economic order requires vast changes. If these results are not achieved, there will be world economic devastation...."

"Now our country has indeed made proposals at the United Nations, at Manila and elsewhere for a New World Economic Order," Bhutto continued. "In these proposals debt moratoria has been one part...Debt moratoria cannot be regarded as an isolated measure, but as part of a packet. Pakistan and the other Group of 77 nations are discussing these things in Paris and elsewhere now."

On the question of Italy, Bhutto said that although the situation was not as severe as for the developing sector, "This is not to say that we have no sympathy for the situation in Italy. It is very serious."

When asked by another reporter for his impressions of the Swedish economy, Bhutto indicated it was not at all what he had imagined. "You know in Pakistan, we've always been impressed with Sweden for its economic planning, for its socialist economy and so on. But when we got here we found only 5 percent of Swedish industry is nationalized and the land, it's all private. Why, we have done much more than that in Pakistan." And when asked whether Swedish Prime Minister Olof Palme would visit Pakistan, Bhutto suggested that Palme was probably too preoccupied with the

(MORE)

upcoming Swedish elections. "As for after the election," Bhutto added, "the invitation still stands...You know, Nixon is travelling to China, and he's no longer president."

BRITISH PRESS BLAMES GOVERNMENT
SOCIAL SERVICE CUTS ON DEBT COSTS

Feb. 23 (IPS)—The London press responded unanimously on Feb. 21 to massive social service cuts announced two days ago by the British Government by blaming the cuts on the skyrocketing cost of refinancing Britain's debt. The cuts, announced in the government's White Paper on economic policy, will affect social services, housing, transport and food subsidies, while allowing for a 3 billion pound rise in national debt payment.

According to London Times Economics editor, Peter Jay, the plan has "forfeited any real chance of ever regenerating the process of creating new national wealth except temporarily by...hyper-inflation." In fact, Jay states, "the political consequences of a world in which the people pay taxes principally in order to meet the cost of interest on the national debt while the standard and quality of public services and national defense are eroded further and further, defies imagination. This indeed is the classic profile of national bankruptcy. It is the slippery slope which leads ineluctably to repudiation of debt and political collapse."

The left-wing Tribune group of the Labour Party called the plan "the handmaiden of the City, the Confederation of British Industry, and other enemies of Labour in the British establishment." Conservative leaders, who otherwise back massive spending cuts, attacked the debt question directly. Said one Conservative spokesman, "Borrowing will have grown so much by 1979 that all the money that may have been saved by pruning public spending programs will be swallowed up in paying extra interest to the tune of more than 3,000 million pounds."

U.S. ESCALATES ANTI-ALGERIAN ATTACK BY SENDING JETS TO MOROCCO

Feb. 22 (IPS)—The U.S. has decided to sell a squadron of 24 F-5E jet fighter planes and a fleet of armored vehicles to Morocco. The deal is a sign of continuing American support for King Hassan II in his ongoing dispute with Algeria around the former Spanish Sahara, according to the lead article in yesterday's New York Times.

The Times notes the reason for the U.S. support for Morocco by referring to Algeria's role in implementing a new world economic order and debt moratorium: "The Ford Administration... has made no secret of its unhappiness with Algeria's efforts to dominate the leadership of the Third World with a radical program almost always at odds with American interests."

The sale of U.S. planes for Morocco after Hassan's attempt to obtain French Mirage fighters fell through because of internal French resistance to the Giscard government's foreign policy.

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CUBAN MISSION TO MEXICO CONCLUDES MAJOR SUGAR TECHNOLOGY DEAL,
BLASTS KISSINGER'S LATIN TRIP AS A "THREAT"

Feb. 23 (IPS)—High Cuban officials announced Feb. 20 at a Mexico City press conference that Cuba and Mexico have completed negotiations for a major joint investment in sugar production. Under the terms of the 80 million dollar agreement, new sugar refining mills will be built in both countries. Cooperative agreements were also established in fishing, steel and chemical technology. The agreements were announced by the Cuban Minister of Heavy Industry, Lester Rodriguez, and the Cuban ambassador to Mexico, F. Lopez Muino, and were reported in the Mexico City press yesterday.

During the press conference, Muino referred directly to the current trip of Secretary of State Henry Kissinger through Latin America as "a threat to organizations like the Latin American Economic System (SELA)." He added that "it doesn't matter what Kissinger says, our internationalist duty is clear and we will fulfill it."

MEXICAN TRADE STEPPED UP WITH ITALY

Feb. 23 (IPS)—High Mexican officials and the Italian ambassador to Mexico signed an agreement three days ago in the presence of President Luis Echeverria giving the Italian firm Oerlikon Italiana a contract to expand machine tool manufacture in Mexico. On the same day, as reported in the Mexican daily Novedades, a major Italian trade mission arrived for four days of discussions in Mexico's second largest city, Guadalajara. The mission includes the director and deputy director of the Italian Institute of Foreign Trade.

El Nacional, a pro-development Mexican government paper, commented Feb. 21 on the machine tool contract, noting that "the possibility of constructing machine tools—that is to say, tools which serve to make other machines and other tools—is one of the surest indices of the industrialization of a country. At a given point this capacity indicates the transition from underdevelopment to development."

U.S.-BRAZIL ACCORDS DESIGNED TO ISOLATE PERU,
SAYS EL SOL OF MEXICO

Feb. 23 (IPS)—"There is no doubt (the U.S.-Brazil accords of two days ago) are intended to isolate the progressive Peruvian regime and foment the crisis in Argentina," the progressive Mexican daily El Sol stated in its lead editorial Feb. 21. Commenting further on the agreements which U.S. Secretary of State Henry Kissinger recently concluded in Brasilia, the paper asserted that they "confirm, on the one hand, that the 'Brazilian Miracle' has been the work of international consortiums, and, on the other hand, that Brazil was chosen as the 'beachhead' for the expansion of reactionary militarism not (quite) as discredited as Chile's." Although Kissinger attempted to confer upon Brazil the status of a big power, El Sol concluded, "Brazil is not only not a world power but its economic growth is fictitious."

(more)

BRITISH OFFER ARMY TO PROTECT RHODESIA

Feb. 23 (IPS)—The British government has offered to send troops to white-ruled Rhodesia to help forestall the threat of a pro-socialist revolution in that country, according to yesterday's London Daily Telegraph. Quoting from a statement by Foreign Office Minister of State David Ennals, the paper said: "If the white leadership (of Prime Minister Ian Smith) comes to terms with black leaders on an early change to majority rule, or simply throws in its hand and asks London to sort things out, the (British) government would help with internal policing while the new constitution was being put in effect."

According to the Telegraph, "Mr. Ennals...firmly denied a report that a senior British official had visited Salisbury this week to offer Mr. Smith diplomatic or military protection if he was prepared to resign." But Ennals did say that "No British government, of whatever political flavour, would commit British troops on the continent of Africa in a war on behalf of the minority against the majority. It would be madness to do so."

Rhodesian black leader Joshua Nkomo recently visited British Foreign Minister James Callaghan and pleaded with London to intercede to win concessions for his supporters from Smith. African diplomatic sources have revealed that Nkomo and other pro-Western black leaders are being dumped from power in Southern Africa's liberation movements by radical supporters of a new world economic order.

If Britain does send troops to Rhodesia, the Telegraph says, "Moscow and Havana would think more than twice before using Cuban troops in a direct attack."



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NEW SOLIDARITY INTERNATIONAL PRESS SERVICE (IPS)
LATE EVENING NEWS ROUND-UP
MONDAY, FEBRUARY 23, 1976 2130 HOURS EST

I. PRIORITIES

DER SPIEGEL REPORTS SADAT SUPPORTS THIRD WORLD DEBT MORATORIUM

Feb. 23 (IPS)—Western bankers are terrified by the threat of international debt moratoria, according to the latest issue of the West German news weekly Der Spiegel, which identifies Egypt's pro-capitalist President Anwar Sadat as a supporter of debt moratorium.

In a featured article on the impossibility of Third World countries meeting current debt payments due, Der Spiegel quotes Sadat as saying: "People are going to have to give us a few years in which we do not have to pay back any debt." The article also quotes a Pakistani official as having remarked that "there is no other choice than to cancel the debt."

Bankers reached by Der Spiegel spoke only of "the traumatic effects" of debt moratoria on "our banking system." The article was subtitled "Mammoth Collapse; International Bankers Dread Their Billions of Credits to Developing Countries."

STATE DEPARTMENT PROCRASTINATION TACTICS AT NORTH-SOUTH TALKS ENRAGE THIRD WORLD COUNTRIES

New York, Feb. 23 (IPS)—The talks between developing and developed nations now underway in Paris are threatened with breakdown as the industrialized nations, headed by the U.S., have refused to consider taking steps which depart from their traditional role as debtors whose claims on developing nations' resources and revenue have acted as a barrier to industrial development in the Third World.

The Journal of Commerce, in a Feb. 23 dispatch from Paris, reports that "serious differences hobble the work of the four commissions" because "wealthy nations refuse to bow to the developing countries' call for sweeping revolutionary steps to redistribute the wealth of nations...due to their own economic slump, the worst since the great depression."

Diplomatic sources participating in the most recent round of the conference, which ended Feb. 20, have stated that the reason for the collapse of the talks was the refusal of the U.S. govern-

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ment delegation (made up mostly of officials of the U.S. Treasury) to take steps toward debt moratorium as a first step toward ending the depression and a necessary move toward a new world economic order. Informed sources from the Third World Group of 77 in New York say that the 19 developing countries representing the Group of 77 in the CIEC talks are committed to walk out of the conference if no more progress is achieved by the end of the next scheduled meeting, late this March.

FRENCH NAVY CHIEF OF STAFF BACKS SANGUINETTI

Feb. 23 (IPS)—Admiral Joire-Noulens, the Chief of Staff of the French navy, declared in Brest on Feb. 19 that he agreed with 75 per cent of embattled Vice-Admiral Antoine Sanguinetti's ideas, according to the Feb. 20 issue of the French Communist Party daily L'Humanite. Sanguinetti, a staunch Gaullist and critic of Atlanticist President Giscard's defense policies, is under pressure from the government to resign for his public criticism of the government. Last week he issued a statement reaffirming the Gaullist concept that national "legitimacy" is not determined by the dictates of any particular government and stating that he would fight the attempts to force his ouster.

L'Humanite commented that Joire-Noulens' declaration threatens to "trigger a strong governmental fit of anger."

Adding to the furor over Giscard's relations with the military, the French Communists have issued a national press statement, coupled with a series of local actions and a parliamentary-level intervention, against the government's decision to discipline the director of the Brest arsenal. The government claimed the director went "beyond his authority" by allowing workers who perform the most physically taxing jobs to take breaks.

NATO OFFICIALS WRESTLE OVER HOW TO STOP GAULLISTS

Feb. 23 (IPS)—The annual meeting of the Institute for War Studies (Wehrkunde) held in Munich, West Germany this past weekend and attended by over 100 NATO officials, politicians and journalists, was preoccupied with the problem of resistance on the part of France's Gaullists to the Atlanticist Tindemans plan for European arms integration and the general Gaullist antagonism toward NATO.

West German Christian Democratic Union defense expert Manfred Woerner threatened that "a joint security policy must not only be tolerated by France, but taken up by her as well," according to today's Frankfurter Rundschau, while West German Defense Ministry State Secretary Siegfried Mann grumbled that European arms cooperation without France would be "scrap." U.S. ambassador to NATO Alexander Haig admonished member countries to "guard against discovering new encompassing defense concepts."

While the West German Defense Ministry called for a "policy of little steps" to deal with the French problem, former Luftwaffe (air force) General Steinhoff demanded "great and courageous

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steps, in view of the practical impotence of NATO's leading bodies to do anything about those members who are clinging to their national sovereignty."

The meeting's participants also expressed anxiety about the MPLA victory in Angola. United Kingdom Ambassador to NATO Killick warned that unless NATO intervenes against Angola now, "we will not have to wait long for a crusade to liberate the Western (African) continent in the sense the Communists intend."

MEXICAN PRESIDENTIAL CANDIDATE HITS BRAZILIAN "MIRACLE,"
PROMOTES ITALY-MEXICO TRADE

Feb. 23 (IPS)--"Mexico is not Brazil, nor wants to be," Jose Lopez Portillo, the presidential candidate of Mexico's ruling party, the PRI, declared to the Italian paper Corriere della Sera in an interview republished yesterday by Mexico's leading daily, Excelsior. Lopez Portillo explained that "Mexicans don't want to import the economic miracle of Brazil, nor are they interested in an accelerated economic development based on the sacrifice and hunger of more than 50 per cent of the population."

In response to a question from Corriere, Lopez Portillo emphasized that there are "large perspectives" for Italy-Mexico trade, especially between the two countries' state sector industries. "Mexico in Latin America and Italy in Europe are the countries in their continents which have developed state industry the furthest, especially in basic sectors," he said, contrasting these perspectives with Brazil's dependence on multinational corporations "which don't respect either the sovereignty or the laws of the countries in which they operate."

Corriere commented that "the words of the Mexican politician have an immediate response in reality," citing contracts let to Italian state enterprise to restructure Mexico's shipbuilding facilities in Veracruz in order to build a "first series" of 10 oil tankers, as well as Italian participation in machine tool, transformer, tractor and railroad locomotive deals with Mexico.

Lopez Portillo is running unopposed for president of Mexico and will take office in December when incumbent president Luis Echeverria's term expires.

USLP PRESIDENTIAL CANDIDATE LAROUCHE CHALLENGES WALLACE

Wiesbaden, W. Germany, Feb. 23 (IPS)--U.S. Labor Party presidential candidate Lyndon H. LaRouche, Jr. yesterday issued the following challenge to Alabama Governor George Wallace:

"Poor old George Wallace is being wheeled through the areas of Labor Party strength in Massachusetts. This sort of public exposure makes it look as though poor George had some guts. Workers must find out whether he does. I challenge George Wallace to a full debate on domestic and foreign policy to take place as soon as I return to the U.S. Does he have enough guts to debate LaRouche?"

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A leaflet announcing the challenge will be circulated in Boston this week, prior to the March 2 primary.

WALLACE'S FIRST ANSWER TO DEBATE CHALLENGE FROM L. LAROCHE

Boston, Feb. 23 (IPS)—After receiving an official communication today of U.S. Labor Party presidential candidate Lyndon La-rouche's challenge to Alabama Governor George Wallace to a debate on foreign and domestic policy upon Mr. LaRouche's return to the United States, Wallace spokesman Billy Joe Camp, the Governor's aide and press secretary, told a LaRouche representative that "it is too early in the political process to consider this, not only with your candidate but with any candidate." But, Camp added, there is a possibility of a revised determination by the Wallace camp within the next day.



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NEW SOLIDARITY INTERNATIONAL PRESS SERVICE (IPS)

TUESDAY, 24 FEBRUARY 1976
COMBINED ISSUE

I. PRIORITIES

CURRENCY MARKETS UNSTABLE AS OIL MULTIS TRIGGER RUN ON LIRA

Feb. 24 (IPS)—International currency markets were extremely unstable today as oil multinationals' dumping of the lira triggered a run on the Italian currency. The lira fell by 3 per cent against the deutschemark.

The franc fell today amid rumors that its devaluation is imminent. An article in the French daily Le Monde predicted that the newly released government figures showing a 13 per cent annual rate of inflation would spark a run on the franc. The West German financial daily Handelsblatt quoted an official of the West German Free Democratic Party as saying that there either will be a devaluation of the franc and other "weak" European currencies or the European "snake" (the arrangement by which European currencies float against each other with minimum parity floors maintained by central bank interventions) will be ruined. The West German right-wing daily Die Zeit reports today that "currency devaluations were still in the offing," and had "merely been postponed."

NEW YORK BANKER: WE'RE SAFE--UNLESS ITALY AND BRITAIN GO FOR MORATORIUM

NEW YORK, Feb. 24 (IPS)—A United Kingdom territory loan officer for Manufacturers Hanover Bank said here today that the capitalist system would have no serious problems "if only developed countries such as Britain and Italy could be prevented from declaring debt moratoria." If default or moratoria by Western countries could not be prevented, the source said, a "nightmare scenario" would be triggered which would include the triggering of a wave of debt moratoria "throughout a string of unreliable banana republics."

The loan officer said that Third World demands for debt moratoria were not quite serious, indicating that he felt that they could be controlled by U.S. pressure tactics.

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TIMETABLE FOR DOLLAR-DEUTSCHEMARK AXIS MOVED UP

Feb. 24 (IPS)—The foreign exchange department of a major New York bank said this afternoon that they expect a major readjustment of the European "currency snake in the near future." This readjustment, the source said, would occur along the lines of the Wall Street-backed proposal to establish a dollar-deutschemark axis--parity between those two currencies, with forced devaluations for weaker European currencies along with import cutbacks and harsh programs of domestic austerity.

According to the source, there will be a 10 per cent devaluation of the French franc and a 7 per cent devaluation of the Belgian franc and Danish kroner. Should political resistance continue to develop in France, so as to make a franc devaluation impossible, there would be a 10 per cent revaluation of the West German deutschmark, or alternatively, some combination of these, such as a 3 per cent deutschemark revaluation and a 7 per cent franc devaluation.

Although the timetable for this move is considered "inappropriate" on Wall Street (Morgan Guaranty recently reported it would take six months to implement such a scenario), the source indicated that "the timetable has recently been moved up into the immediate future."

SEN. BYRD: "WE WANT EVERY PENNY DEBT REPAID"

WASHINGTON, Feb. 24 (IPS)—During major show-hearings on the debt question before the Senate Finance Subcommittee on International Finance, Sen. Harry Byrd (Indep-Va) yesterday railed at Paul Boeker, Department Assistant Secretary of State for International Finance and Development: "I want to have it confirmed that State will not renegotiate any debt without clearing it with Congress. ...We want every penny on the dollar." Sen. Byrd's staffers indicated that the Senator was enraged at the State Department for "blindly pushing policies responsible for massive unemployment in the U.S." The staffers indicated a favorable response to discussing the debt question further with representatives of the U.S. Labor Party.

CONGRESSIONAL AIDE CLAIMS CONGRESS IS BEING SWEEPED BY VIGILANTE MOOD AGAINST THIRD WORLD

Feb. 24 (IPS)—An aide to Sen. Alan Cranston (D-Cal) claimed today that Congress is being swept by a "wave of vigilanteism" toward the Third World. The aide termed Sen. Harry Byrd's demand yesterday before a Senate subcommittee that the "U.S. collect every penny in debt it is owed," as reflective of the mood of Congress. Cranston's aide added that a few "liberal" Senators, including Cranston, Humphrey (D-Minn), Clark (D-Iowa), McGovern (D-SD) and Abourezck (D-SD), support "debt rescheduling," a policy which is also being supported by leading New York banking houses for very selective Third World nations who are satrapies of the U.S. Congress, she stated, "had been relieved" when the

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State Department recently decided to use food aid as a weapon to threaten Third World nations who refuse to go along with U.S. policy. Outgoing United Nations Ambassador Daniel Moynihan, who along with Secretary of State Henry Kissinger is known for his belligerent attitude toward the Third World, "is a very popular hero among Congressmen," she claimed.

The aide referred to Senate Foreign Relations Committee staff members Norvelle Jones and Dick Moose as being "experts" on the issue of Third World debt and what to do about it. Both Moose and Jones have been identified by other sources as part of a State Department-controlled group of Congressional staff members who have been deployed recently to halt any sentiment which supports Third World debt moratoria. Among other tricks, they are known to circulate false information about the "mood of Congress" on the debt issue among Congressmen and their aides.

STATE DEPARTMENT, ATLANTICIST CONGRESSMEN CONSIDERING POSSIBLE RETALIATION TO DEBT MORATORIA BY THIRD WORLD, EUROPE

Feb. 24 (IPS)—Sources close to the State Department Policy Planning Staff and the Senate Banking Subcommittee on International Finances report that Congress is now considering to "threaten" use of the "Johnson Debt Default Act of 1938" if developing or European nations declare debt moratoria on their external debts to U.S. citizens or financial institutions. The Johnson Act, which has never been used, states that any country which defaults on debts to the U.S. cannot receive loans from either any person or institution in this country. The Senate source reported that one subcommittee staff member, in discussing potential debt moratoria and ways to retaliate against it, declared, "And, of course, negotiations (such as the North-South talks between the advanced and developing sectors) on commodity prices would completely fall through."

GAULLIST: STICK TO OUR FOREIGN POLICY

Feb. 24 (IPS)—Adding fuel to the factional war raging in French ruling circles, today's Le Monde, the French daily, prints a statement by the Secretary of State to the Interior Ministry, Pierre Christian Taittinger, a member of the Gaullist-linked Research Group for National Defense, demanding that France carry out traditional Gaullist foreign policy of non-alignment with NATO.

"As our defense policy is an integral part of a general conception for our foreign policy, three elements condition it," the Gaullist Taittinger states. "The refusal of any bloc, the limitation of our engagements (alliances) and a diversified effort of international cooperation. As long as no changes occur in the determination of our European partners, it seems impossible for the security of our country to modify a policy conducted for 17 years (since the late Charles de Gaulle's 1958 ascension to power-ed.)."

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WEST GERMAN AUTO WORKERS' UNION BOSS
"NEGOTIATING" WITH THE DEFENSE MINISTER AND GENERALS

Feb. 24 (IPS)—Eugen Loderer, chairman of the 1.8 million member I.G. Metall metal and auto workers' union in West Germany, met today with Social Democratic Defense Minister Georg Leber and the Inspectors General of the West German Army, according to the West German daily Frankfurter Rundschau. Loderer has just completed what press sources described as "top-level" discussions with the leader of Gesamt Metall (the metal industries employers' association), Martin Schleyer, after regular wage negotiations for the industry had broken down. Loderer, a member of the Trilateral Commission and political associate of Social Democratic Party chairman and fellow Trilateral Commission member Willy Brandt, is also known to have instructed 200 I.G. Metall shop stewards under his sway to send letters to the Trade Union Federation in support of vastly expanded arms production to "secure jobs."

II. DEBT FRONT

WHITE HOUSE DOESN'T KNOW
HOW IT WOULD RESPOND TO DEBT MORATORIUM

WASHINGTON, Feb. 24 (IPS)—A high White House economic advisor, when asked today how the Administration would respond to a debt moratorium declared by less developed countries, paused for 20 seconds and replied, "I really don't know."

WALL STREET ECONOMIST PREDICTS FRANC DEVALUATION

Feb. 24 (IPS)—A leading international economist at a Wall Street investment house today predicted a five to eight per cent devaluation of the French franc. In response to questions about the effect of such a devaluation on the French population, he stated, "You ask whether a devaluation will mean austerity for the French population and a cut in consumption. That is what a devaluation is for!"

SAFETY NET BOTTLED UP IN CONGRESS

WASHINGTON, Feb. 24 (IPS)—Congressional sources reported here today that legislation establishing a "safety net" arrangement to bail out European countries that are in danger of defaulting through the provision of loan guarantees to refinance their debt is now bottled up in the Senate Foreign Relations Committee. The source reported that the legislation, which is known to be supported by the State Department, is being held up by Senators Case (D-NJ) and Nelson (D-Wisc), who reportedly "just plain don't like it."

STATE DEPARTMENT "ORDERED" LAST WEEK'S
NEW YORK TIMES ARTICLE ON DEBT

WASHINGTON, Feb. 24 (IPS)—High official sources reported yesterday that the State Department directly requested the article by

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New York Times economic reporter Edwin L. Dale, Jr. appearing in the Feb. 17 New York Times. Dale characterized the Treasury Department as the "hardliners" on the debt question and the State Department as recognizing the need for some form of selective debt rescheduling. He then asserted that the U.S. Congress would never accept.

A follow-up article by Dale in yesterday's Times characterized a House of Representatives Appropriations Subcommittee vote to decrease funds to the World Bank, whose dissolution has been demanded by Third World spokesmen, as an "isolationist response" to Third World demands.

MEXICAN GOVERNOR CALLS FOR MORATORIA ON STATE DEBT

Feb. 24 (IPS)—The governor of the northwest Mexican state of Sonora called for "debt moratoria" on Sonora state debt to "private construction companies and provisioners of the state."

In remarks to the press reported in the Feb. 22 Mexican daily El Dia, Sonora Governor Alejandro Carrillo Marcor, installed as governor by Mexican President Luis Echeverria in October 1975, indicated the state had been bankrupted by his predecessor, Armando Biebrich. Biebrich is currently under contempt citation in the Sonora courts for failing to answer to charges of embezzlement.

Carrillo Marcor also reported the state does not have funds to pay back taxes it owes to the federal government, but did not indicate if he is also asking for a moratorium on this debt.

CHICAGO FED STATE DEPARTMENT LINE ON DEBT

CHICAGO, Feb. 24 (IPS)—A high financial source in Chicago said yesterday that the State Department "line" on the debt question being fed to the Chicago industrial and financial community was that the Department was now engaged in "delicate discussions" around the question of debt rescheduling. While forces in Chicago recognized the crucial need for new credit institutions, "no one in Chicago would openly discuss this issue" while "the delicate State department negotiations" were going on.

III. OTHER NEWS

WALLACE FLOPS IN DORCHESTER

BOSTON, Feb. 24 (IPS)—Former Alabama Governor George Wallace delivered one of his now standard populist campaign diatribes against the "oppressors of the little people" but few people responded at a Dorchester Wallace for President rally last night. The largely working-class audience sat quietly with arms folded, unimpressed with Wallace's defensive boasts about his previous electoral feats. This meeting contradicts broadly circulated press accounts, especially by Mary McGory, exaggerating Wallace's popular support.

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U.S. Labor Party candidate for U.S. Senator from Massachusetts Graham Lowery said last night that the Labor Party would force populist Wallace to debate economic program and expose him as a charlatan before working-class voters. Lowery noted that a public challenge to debate issued by Labor Party presidential candidate Lyndon LaRouche, Jr. is now being mass distributed.

ROCKY STUMPS FOR FASCIST ARMS PRODUCTION

BOSTON, Feb. 24 (IPS)—Vice President Nelson Rockefeller proposed massive weapons programs and a renewed energy independence effort before the American Association for the Advancement of Science Conference here last night. "Scientists can be creative in developing weapons systems," he said, claiming that arms production was not wasteful but would effectively "employ our engineering capacity." Rockefeller cited "the Soviet expansionary pressure" as evidence of the need for a renewed arms build-up. The Vice President also proposed reviving his 100 billion dollar energy independence boondoggle centering on the development of coal resources.

The scientists in attendance did not applaud Rockefeller's proposal and many walked out before he concluded.

The speech was Rockefeller's fourth in the last four days on similar topics.

CHICAGO TRIBUNE FEARS "EMASCULATION" OF THE INTELLIGENCE COMMUNITY, ASKS CONGRESS TO PLUG UP ITS LEAKS

Feb. 24 (IPS)—The Chicago Tribune, whose correspondents have been raking President Ford over the coals for his intelligence reorganization plan, editorialized Feb. 22 that they feared that Ford's "reform" might become "emasculatation."

Wondering what the role of Congress will be in the oversight process, the Tribune editors write:

"A good illustration is the decision of the house to consider holding a CBS correspondent, Daniel Schorr, in contempt for the recent publication of the Intelligence Committee's report. We can't defend Mr. Schorr...but the duty to protect the secret information was not Mr. Schorr's; it belonged to the members and staff of the Intelligence Committee, it was they who violated their trust, it is they who should be identified and punished.... obviously Mr. Ford is right in wanting Congress to patch up its own leaks before it is made privy to any more secrets....Most members of the Congress, we're sure, can be trusted, the trouble is it only takes one leak to do the damage."

SCHORR EFFECTIVELY FIRED, AS PRESS ONLY TIMIDLY DEFENDS HIM

Feb. 24 (IPS)—CBS News suspended correspondent Daniel Schorr indefinitely yesterday pending the completion of a Congressional

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contempt investigation against Schorr for his acknowledged role in leaking the House Intelligence Committee report to the Village Voice. Today the Long Island newspaper Newsday reports CBS "sources" as saying that once the Congressional investigation of Schorr is completed, "the feeling (at CBS)...is that he will be let go."

The Reporters' Committee for Freedom of the Press, which acted as a go-between for Schorr and the Voice, today issued an extremely defensive statement denying responsibility for the publication of the Pike Committee Report while offering virtually no defense of Schorr.

Schorr received his first significant editorial support in yesterday's St. Louis Post-Dispatch. Entitled "Panic in the House," the editorial defends Schorr's actions as both a public service and a necessary defense of freedom of the press and attacks censorship of Schorr as "apparently motivated by Congressional timidity on the one hand and executive penchant for covering up embarrassments" on the other.

END OF COMBINED IPS FOR FEBRUARY 24, 1976



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New Solidarity International Press Service (IPS)
Wednesday, February 25, 1976
Combined News

FOREX MARKETS CALM AS RUMORS OF DEVALUATIONS ABOUND

New York, Feb. 25 (IPS)—Foreign exchange markets were calm today amid persisting rumors being circulated by Wall Street-linked circles of impending devaluations and austerity attacks on West European economies. While end-of-the-month settling of accounts will most likely keep the market quiet the rest of the week, according to a foreign exchange trader at a major New York bank, . . . As opposed to yesterday, there were negligible levels of central bank intervention into the market.

Meanwhile, rumors persist of an impending devaluation of the French franc, despite the fact that a foreign exchange trader reported that multinational corporations have temporarily run down their franc accounts during the recent attack on the franc and were incapable of immediately renewing pressure on the French currency. A Federal Reserve official, agreeing that political opposition among Gaullist layers in France was so strongly opposed to devaluation that the Wall Street-controlled government of French President Giscard may have to "sneak up" to a devaluation --i.e., simply announce the devaluation as an accomplished fact. The temporary drawing back of the Atlanticist layers today from their attack on the Western European currencies was reflected in a slight appreciation of the Italian lira today following yesterday's run on the lira caused by the multinational oil companies.

NEW YORK BANKS RUMOR THAT ITALIAN EEC LOAN WILL GO THROUGH NEXT WEEK

NEW YORK, Feb. 25 (IPS)—Major banks here are circulating the rumor that the European Economic Community (EEC) 1 billion dollar loan guarantee to Italy will go through sometime next week—complete with the implementation of a harsh austerity program. Said one banker, "I feel the loan decision is on for mid-next week, with import restrictions and other conditions like the first West German (Bundesbank) loan." Another banking source termed the loan a "foregone conclusion" and cited as evidence that it was about to go through as the Bank of Italy's announcement today that it would reopen its official exchange markets on Monday. The markets have been closed since the run on the lira began last month.

Both the International Monetary Fund and the Federal Reserve in Washington, however, told IPS that both the loan and its conditions were definitely not settled yet. Another forex trader here at a major bank said the loan guarantees were "meaningless" and would do nothing to stabilize the situation. He termed the

BRITISH POUND COULD FALL THROUGH ITS FLOOR PRICE

NEW YORK, Feb. 25 (IPS)—The British pound sterling is currently the weakest link in the bankrupt international monetary system, according to the department which advises major corporations on currency matters at a major New York bank. The austerity program recently announced by British Chancellor of the Exchequer Denis Healey will not be capable of preventing speculative pressure against the British currency since the rate of inflation remains basically unabated, the source said today. Describing the situation as "touch and go," the head of the department expressed concern that the pound "could go through the 2 dollar floor price," precipitating a withdrawal of Arab funds from the British sector and a general monetary collapse.

Meanwhile, the British desk at the same New York bank, when reached for comment, stated that the proponents of austerity in Great Britain were drowning out the "mad dog" trade unionists and praised the Healey program.

BANK OF AMERICA PRESIDENT THREATENS CREDIT CUT-OFF TO COUNTRIES THAT DECLARE DEBT MORATORIA

Feb. 25 (IPS)—Bank of America President A. Clausen is quoted in the Feb. 22 Los Angeles Times as espousing a policy of credit cut-off to a country that declares debt moratoria. "It's (to declare a debt moratorium) something that a country definitely does not want to do if it wants to borrow money in the future," Clausen reportedly said. "The only country to do that since World War II is Cuba," he warned.

CHICAGO BANKERS URGE CONTINUATION OF CREDIT DURING ECONOMY'S "WORST AND MOST PROLONGED RECESSION IN 40 YEARS"

Feb. 25 (IPS)—Two Chicago bankers have called for the continuation of credit to industries hard-pressed by "the worst and most prolonged recession in 40 years." John Perkins and Roger Anderson, both vice-presidents of Continental Illinois Bank, warned in an article appearing in today's Chicago Sun-Times that any moves to cut off credit to industry through the elimination of standard loans would mean that only blue chip, creditworthy corporations like IBM would get credit. Anderson described the actions already taken by Chicago banks to extend credit to high-risk businesses without which the "recession would have been worse."

Perkins also attacked banking reorganization proposals pushed by the "liberal" Democrats such as the combining of regulatory banking functions, saying the results of these proposals "would be a disaster."

BREZHNEV RENOUNCES ISOLATIONISM, ATTACKS WHITE COMMUNISTS AT CPSU CONGRESS

Feb. 25 (IPS)—Speaking at the opening of the 25th Congress of the Communist Party of the Soviet Union yesterday in Moscow, Soviet Party head Leonid Brezhnev firmly rejected any tendencies

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toward isolationism or autarchy on the part of the socialist countries. Brezhnev gave his authoritative backing to top Soviet trade officials who recently condemned isolationist views, as he declared, "Much depends on the ruling (Communist) parties... fighting against seclusionism and national isolation, discovering their common international tasks and working out their solutions."

In his five-hour speech, Brezhnev also delivered the strongest attack to date on the "White Communists" in the Western Communist Parties; this was either totally blacked out or watered down in coverage of the speech in today's leading U.S. bourgeois press. "Naturally there cannot be any compromise on questions of principle in order to achieve reconciliation with ideas which do not correspond to communist ideas," said Brezhnev. "That is final! ...Concessions (to revisionism) may give short-term benefits to opportunism but in the last resort will always damage the party." "Some politicians," he charged, are trying to abandon the revolutionary concept of proletarian internationalism in favor of outright nationalism. "This would rob the workers' movement of a great weapon," the Soviet leader stated. "That would be a good service to the class enemy."

Brezhnev's far-ranging discussion of foreign policy, which was keynoted by his emphasis that detente means no "guarantee of the social status quo," also included the following major points:

*Disarmament, including a new Strategic Arms agreement with the United States, remains a Soviet priority. Brezhnev called for a new world meeting on disarmament and war.

*Angola receives and will continue to receive Soviet support as an independent state and a developing country.

*China. Brezhnev sharply denounced Peking's warmongering, but emphasized that "if China takes a course of solidarity and cooperation with the socialist countries, this will find an echo on our side."

*Mideast. Brezhnev made an open diplomatic call for the U.S., England and France to join the Soviet Union in international guarantees of a settlement there, including Israeli withdrawal to its 1967 borders.

FORD WINS IN NEW HAMPSHIRE; PRESS DISMISSES THE VICTORY

Feb. 25 (IPS)—President Gerald Ford won the New Hampshire primary yesterday, defeating Ronald Reagan by a very narrow margin of less than one per cent, but the press generally attempted to undercut the Ford victory. The New York Post, for instance, pointed out that in 1968 Eugene McCarthy polled 42 per cent of the vote against then President Lyndon Johnson and Johnson pulled out of the running three months later. Reagan polled 49.4 per cent of the vote.

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SUN-TIMES COLUMNIST WARNS READERS TO WATCH OUT FOR
ROCKEFELLER PRESIDENTIAL DRIVE

Feb. 25 (IPS)—Chicago Sun-Times columnist Jerome Watson warns today that Nelson Rockefeller still covets the Presidency. Watson says mockingly that "poor Nelson Rockefeller" with "all that money, talent, experience, ego and ambition rotting away in the Vice-Presidency" must be viewing President Ford and Republican presidential challenger Ronald Reagan as his political inferiors. Yet Ford and Reagan, Watson writes, are the very people "who are buying the thing Rocky hungers for: the Republican presidential nomination." While stating that a Rockefeller nomination by a deadlocked convention is "wildly improbable," Watson points out that "perhaps the Rock could pull it off" because it "ought to beat rotting away."

JIMMY CARTER WINS DEMOCRATIC PRIMARY IN NEW HAMPSHIRE

WASHINGTON, D.C., Feb. 25 (IPS)—Former Georgia Governor and Trilateral Commission member Jimmy Carter, who won the New Hampshire Democratic primary yesterday, polling 30 per cent of the Democratic vote, immediately became a target for press attacks.

The Washington Post, mouthpiece for the Democratic patrician layers, moved to undercut Carter's victory by running a front-page article headlined "Governors Voice Doubts on Carter." According to the Post, the National Governors Conference held here this week had "an undercurrent of opposition to the presidential candidacy of Jimmy Carter." Rhode Island Governor Phillip Noel, head of the Democratic Party Platform Committee, told a Post reporter that Governors were angry at Carter for introducing a resolution into the 1973 Governors Conference during the midst of the Watergate scandal which asked that the "institution of the presidency be protected against scandal." Baltimore Sun columnist Garry Wills also attacks Carter today, detailing examples of the former Governor's talking from both sides of his mouth. The first sentence of the New York Post's coverage of Carter's victory described the candidate as "a self-styled peanut farmer."

JAMES RESTON DECLARES DEMOCRATS WILL TURN
TO HUBERT HUMPHREY AS THEIR CANDIDATE

Feb. 25 (IPS)—James Reston, New York Times editorial board member, writes today that since the new Democratic party primary rules will likely prevent any one presidential candidate from emerging in control of the convention, the Democrats will be "encouraged to turn to the most experienced and popular of their men, (Sen.) Hubert Humphrey." "The Democrats know my faults," Reston quotes Humphrey as saying, "and if the primaries don't produce a candidate, which I still doubt, and the party turns to me, of course you know Hubert. He'll be ready."

ITALIAN WEEKLY SAYS AGNELLI BEHIND "OPERATION SCANDAL"

Feb. 25 (IPS)—An article in the latest issue of the Italian weekly Il Settimanale, entitled "Agnelli is Ready, Does the Coun-

(more)

try Want Him?", documents Atlanticist FIAT magnate Gianni Agnelli's role in "Operation Scandal," the using of alleged bribes and funding of Italian political figures by the CIA and Lockheed Corporation to Watergate leading anti-austerity figures in the Christian Democratic Party and the Socialists, as well as President Giovanni Leone.

Noting "Agnelli's American links:...the friendship with Rockefeller and with influential financial and political circles in Washington," *Il Settimanale* states that the hypothesis that Agnelli is promoting the scandals "is confirmed by certain coincidences:...There is *La Stampa* (journal of FIAT) which publishes before anyone else the Pike report on CIA financing, with the names of (Budget Minister Giulio) Andreotti, (former Italian President Giuseppe) Saragat, (CISL trade union factional leader Vito) Scalia and (Minister of Industry Carlo) Donat-Cattin. Against Leone the accusations came from *Repubblica* and *L'Espresso*. The editor of *Espresso* is Agnelli's brother-in-law Caracciolo. *Repubblica* (directed by Scalfari, friend of Caracciolo) is published by a firm 50 per cent controlled by *L'Espresso*." The article adds: "In America,...Agnelli is seen as the man capable of giving hope to the Italians."

IL SETTIMANALE SAYS AGNELLI OUT TO DESTROY
ITALIAN SYSTEM TO GAIN POWER

Feb. 25 (IPS)—The latest issue of the Italian weekly *Il Settimanale* contains two articles which lay out FIAT boss and Rockefeller ally Gianni Agnelli's rationale for attempting to destroy the Italian political system and his scenario for replacing it with a "second republic."

An article entitled "Grave Unknowns" states that "the FIAT president, even if he wanted it, could not rise to power with the sole help of his own staff." He "must rather completely destroy a system, the present system, which is perhaps agonized, but certainly is not destroyed. If it is true, as it probably is, that the FIAT president would find open doors in the European capitals and the U.S. and would get all possible help to do this, it is also true that another Republic could not be born with simply a wave of a magic wand."

A second article, "On Agnelli," lays out Agnelli's scenario for power: President Giovanni Leone is forced to resign (he is being Watergated by the Agnelli press-ed.), elections are called. Two months are required and in the meantime all the most authoritative candidates are burned (by scandal-ed.). The Italian Communist Party wipes the floor with the Christian Democrats, and the Christian Democrats with the Socialists. At this point, Agnelli arrives. It is an acceptable solution for everybody. The second republic, that of the technocrats, is born."

Noting that "the White House wants Italy to change" and that "circles linked to international high finance want a change of the institutional structures in Italy," the article concludes

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that "a communist grouping" would also benefit from Agnelli's power grab.

TANZANIAN LEADER IN ABOUT FACE
ATTACKS CHINESE COLLABORATION WITH IMPERIALISM

Feb. 25 (IPS)—Tanzanian President Julius Nyerere, the former leading African supporter of China, has made a strong denouncement of Chinese collaboration with imperialism in Angola and southern Africa, in an interview published in a Kenyan newspaper. According to a report of the interview broadcast by German Democratic Republic radio, Nyerere said, "Our opinions here (in Africa) are categorically different from those of China." He added that Tanzania was allied with the Soviet Union on Angola and thanked the Soviets for their aid to the People's Republic of Angola.

In an analysis of Nyerere's statements, entitled "China's Period in Africa Is Over," the West German daily Frankfurter Allgemeine Zeitung today concludes that the most important implication of the Tanzanian president's pro-Soviet turn is its effect on the rest of the Third World. The Zeitung writer, Grudinski, notes that Tanzania has long been China's most important African ally and concludes that the entire Third World will move more quickly now in the direction of a pro-Soviet policy.

GOVERNMENT STUDY ON FBI DEMANDS LEGALIZATION OF POLICE STATE

Feb. 25 (IPS)—At the request of a House Judiciary Committee subcommittee on Civil and Constitutional Rights, the General Accounting Office released a report Feb. 23 on the FBI's domestic intelligence activities, which, under the guise of proposing guidelines for the FBI, demanded in effect legalized FBI COINTEL-PRO-type operations. After trying to make its demands seem more palatable by detailing several horror stories of FBI overzealousness, the report, according to various press accounts, recommends the following powers be "specified" for the FBI: that the FBI be allowed to surveil "subversive" groups; that a list of "violence-prone organizations" be drawn up for legal FBI infiltration and that "extraordinary" acts, such as preventive detention, be authorized to prevent violence; that leaders of groups not on the violence-prone list be subject to investigation; that the Attorney General oversee close cooperation between local law enforcement agencies and the FBI.

The report was met with immediate outrage from several members of the subcommittee at hearings held today on the recommendations. Rep. Herman Badillo (D-NY) declared that assassins "Lee Harvey Oswald, Sarah Jane Moore and Jack Ruby were all violence-prone and they were FBI agents." Representative Drinan (D-Mass) said, "This is the HISC all over again," referring to the notorious House Internal Security Committee, whose investigators conducted witch-hunts of "subversives." Rep. Drinan told Labor Party representatives, "We've got to get these people (the people who are pushing the report.)" Rep. Dodd (D-Conn) termed the recommendations "outrageous."



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NEW SOLIDARITY INTERNATIONAL PRESS SERVICE (IPS)
FEBRUARY 26, 1976
NEWS BULLETIN NO. 36

U.S. LABOR PARTY PRESIDENTIAL STATEMENT:

FBI-GAO REPORT CALLS FOR DESTRUCTION OF 1976 ELECTIONS AND THE FIRST AMENDMENT

NEW YORK, FEB. 26 (IPS) -- THE FOLLOWING STATEMENT WAS ISSUED TODAY BY
U.S. LABOR PARTY PRESIDENTIAL CANDIDATE, LYNDON LAROUCHE:

"THE LIBELOUS CHARACTERIZATIONS OF MY ORGANIZATION AS SUBVERSIVE
AND VIOLENT BY THE FBI AND THE GENERAL ACCOUNTING OFFICE (GAO) REPRE-
SENT AN OPEN ESCALATION IN ATTORNEY GENERAL LEVI'S ATTEMPTS TO DISRUPT
MY 1976 PRESIDENTIAL CAMPAIGN AND MY ORGANIZATION'S EFFORTS ON
BEHALF OF DEBT MORATORIUM AND THE PROPOSED INTERNATIONAL DEVELOPMENT
BANK (IDB).

"IF THESE FINDINGS AND THE RECOMMENDATIONS OF THE GAO REPORT FOR
'PREVENTIVE ACTION' WERE TO BE ADOPTED BY CONGRESS, CONGRESS WOULD
BE EXPLICITLY LEGALIZING THE IMPOSITION OF POLICE-STATE METHODS TO
WRECK THE 1976 ELECTIONS AND TO DESTROY THE U.S. CONSTITUTION.

"IN CHAPTER 5 OF THE GAO REPORT, THE NATIONAL CAUCUS OF LABOR COM-
MITTEES (THE CORE ORGANIZATION OF THE U.S. LABOR PARTY) IS THE
FINAL ORGANIZATION ON A LIST OF 'SUBVERSIVE' ORGANIZATIONS. THE
REPORT LATER STATES THAT THE FBI IS 'CONTINUALLY CONCERNED ABOUT SMALL
MARXIST-LENINIST STUDY GROUPS SUDDENLY TRANSFORMING INTO ARMED
REVOLUTIONARY BANDS. AS AN EXAMPLE, THE FBI MENTIONED THE NCLC,
ONCE AN INEFFECTIVE, LOOSELY-KNIT GROUP WHICH IS EXPANDING RAPIDLY
UNDER NEW NATIONAL LEADERSHIP.'

"THE FBI 'SUBVERSIVE' LIST IS NOT ONLY AN ATTEMPT TO REVIVE THE OLD
ATTORNEY GENERAL'S SUBVERSIVE LIST FROM THE 1950S, BUT IT IS TAR-
GETTING THE NCLC AND THE USLP FOR THE SPECIFIC PURPOSE OF CONTIN-
UING AND ESCALATING 'DIRTY TRICKS' AND TERROR OPERATIONS AGAINST SUP-
PORTERS OF MY CAMPAIGN AND SUPPORTERS OF THE LABOR PARTY'S PROGRAM-
MATIC PROPOSALS.

"THIS IS MADE ABSOLUTELY CLEAR FROM A REVIEW OF THE OTHER ORGANIZA-
TIONS LISTED AS 'SUBVERSIVE' OR EXTREMIST.' WITH THE SOLE EXCEPTION
OF THE NATION OF ISLAM, EVERY OTHER ORGANIZATION IS DIRECTLY CONTROLLED
BY THE FBI OR OTHER INTELLIGENCE AGENCIES. THESE ORGANIZATIONS, SUCH
AS THE COMMUNIST PARTY USA, THE 'REVOLUTIONARY COMMUNIST PARTY,' AND
THE KU KLUX KLAN, ARE STRAIGHT FBI DEPLOYMENTS AGAINST THE LABOR
PARTY. THEY ARE PART OF AN ONGOING OPERATION WHICH WOULD BE
LEGALIZED AS 'PREVENTIVE ACTION' UNDER THE PROPOSED GUIDELINES.

PUT THE FBI ON TRIAL

"THE FBI IS NOW FRANTICALLY TRYING TO COVER THEIR TRACKS AND DEFEND THEMSELVES AGAINST THE CHARGES OF ILLEGAL ACTIVITIES WE HAVE CONSTANTLY MADE AGAINST THEM. WE ARE PUTTING THE FBI ON TRIAL IN FIVE CIVIL CASES IN FEDERAL COURTS. THE SUIT FILED IN MY NAME AGAINST FBI DIRECTOR KELLEY, LEVI, AND THE FBI IN FEDERAL COURT IN NEW YORK, IS EXACTLY ON THIS POINT: THAT THE FBI'S PUBLIC CHARACTERIZATION OF THE NCLC AND THE U.S. LABOR PARTY AS "VIOLENCE-PRONE" IS DONE FOR THE DELIBERATE PURPOSE OF DISRUPTION OF MY CAMPAIGN AND OTHER ELECTION CAMPAIGNS OF THE LABOR PARTY.

"IN THREE OTHER FEDERAL CASES ALREADY FILED (IN DETROIT, NEW JERSEY, AND READING, PA.) AND IN ONE PENDING CASE IN OHIO, WE ARE CHARGING THE FBI WITH CONSPIRING TO DISRUPT LABOR PARTY ELECTION CAMPAIGNS.

"THE GAO REPORT FRANKLY ADMITS THAT THE FBI IS SCARED OF THESE CASES, WITH ITS REFERENCES THAT POLITICAL CANDIDATES OF THE NCLC (AND THE FBI-RUN SWP) NOT BE DIRECTLY INVESTIGATED. BUT THE REPORT ADMITS THAT ANY INVESTIGATIONS OF POLITICAL CANDIDATES ARE CARRIED OUT UNDER THE DIRECT INSTRUCTIONS OF FBI HEADQUARTERS -- A KEY POINT WHICH WE HAVE ALREADY ALLEGED IN HOLDING KELLEY AND LEVI RESPONSIBLE IN COURT FOR THE ILLEGAL ACTIVITIES OF THEIR FIELD AGENTS.

"WE DEMAND THAT THE CONGRESS REJECT THE GAO REPORT OUT OF HAND AND THAT INSTEAD, IT PROCEED WITH THE URGENT BUSINESS OF INVESTIGATING ILLEGAL FBI INTERFERENCE IN THE 1976 ELECTIONS AND WITH HOLDING HEARINGS ON OUR OWN PROPOSED LAW ENFORCEMENT REFORM ACT OF 1976.

"WE WILL BE ENTERING FEDERAL COURT NEXT WEEK FOR AN EMERGENCY INJUNCTION AGAINST BOTH THE GAO AND THE FBI -- TO ENJOIN THE GAO FROM CIRCULATING OR USING THEIR RECENT REPORT, AND TO PREVENT THE FBI FROM FURTHER DISRUPTING MY ELECTION CAMPAIGN THROUGH ITS BASELESS CHARACTERIZATION OF MY ORGANIZATION AS 'VIOLENCE-PRONE' AND 'SUBVERSIVE,' AND THROUGH ITS 'SMITH ACT/MCCARRAN ACT' INVESTIGATIONS OF NCLC AND USLP MEMBERS.

"IF CONGRESS CAPITULATES TO THE FBI'S CRIMES, IT IS WRITING THE EPITAPH FOR CONSTITUTIONAL GOVERNMENT IN THE UNITED STATES. IT IS UP TO THE ORGANIZED FORCE OF THE U.S. WORKING CLASS TO SEE THAT THIS IS NOT ALLOWED TO HAPPEN."

END OF NEWS BULLETIN NO. 36, 2/26/76.



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NEW SOLIDARITY INTERNATIONAL PRESS SERVICE (IPS)
THURSDAY FEBRUARY 26, 1976
EARLY EVENING NEWS

I. PRIORITIES

SPONSORSHIP OF PENDING DEBT RESCHEDULING BILLS REACHES 118

Feb. 26 (IPS)—Senator Harry Byrd's (D-VA) bill introduced some time ago which stipulates that every penny be paid on dollar debt is just one of many similar State Department backed bills now pending in Congress, IPS learned today. The bills, introduced in Congress between February and April of last year, have broad-based support with collective sponsorship totaling 118. All of these bills, whose sponsors include Representatives Biaggi (D.-NY) and Roe (D.-NJ) and Yatron (D.-Pa.), back the State Department demand that no rescheduling of debt occur without the approval of Congress. None of the bills have yet been approved by Congress.

SENATE AMENDS CONSTITUTION; CANCELS FREEDOM OF DEBATE

Washington, D.C. Feb. 26 (IPS)—The Senate Operations Committee today approved a resolution establishing a new intelligence oversight committee to supplant the standing subcommittees of the Armed Services, Judiciary, and Foreign Relations Committees. A key provision of the resolution provides for the censure or expulsion of any Senator who leaks classified information without approval of both the Senate or the President. Under the resolution a group of five Senators is permitted to issue an indictment of fellow legislators for alleged violations of the new internal ruling.

Amending the resolution before its passage by committee, Senator Samuel Nunn (D.-Ga.) expanded the material covered by the internal ruling to include all material received from the Executive which that institution chooses to classify.

Although the resolution was picked because it supposedly strengthens Senate oversight functions by granting the committee budgetary and legislative powers, it cedes to the Executive the right not to inform the proposed committee of any covert operation until after it has been put into effect.

The resolution also totally negates the "speech and debate" clause of the Constitution, which grants Congressmen full immunity for any topic raised while in session, and could be used both to censor Congressional debate on controversial measures, and to purge Senate ranks. A Senate aide who was present while the resolution was being drafted informed IPS that its authors consciously patterned it upon the British Official Secrets Act. The resolution now goes before the Senate Rules Committee, and is expected to be voted on by the Senate before the March 20 expiration of the Senate Select Committee on Intelligence.

EVANSTON, ILL. DEM. GROUP TO CALL FOR EEA, LERA

Feb. 26(IPS)—The National Issues Committee of the Evanston, Ill. Democratic Party will introduce the U.S. Labor Party's Emergency Employment Act of 1975 (EEA) and the Law Enforcement Reform Act (LERA) to the rest of the group's committees for formal consideration on March 2.

The National Issues Committee was addressed last night by a U.S. Labor Party spokesman who described the the EEA and the LERA legislation as "the only alternative to Wall Street's drive for fascist austerity and police-state rule in the U.S." Following the presentation, the chairman of the committee said, "Well, I don't think we need much discussion, since the issues are clear," and promised to bring up the legislation March 20.

ASEAN COMMUNIQUE CALLS FOR INDUSTRIAL,
FOOD AND ENERGY COOPERATION

Feb. 26 (IPS)—A communique at the conclusion of yesterday's summit meeting of the Association of South East Asian Nations (ASEAN) in Indonesia called for increased cooperation in the areas of food, energy, and industrial development among the five member nations. ASEAN economic ministers will meet next month to discuss ways that Indonesia's and Malaysia's exports of oil and Thailand's export of rice, can be used within the group to foster greater economic growth. Industrial cooperation is to begin with the establishment of ASEAN backed industrial projects, particularly in such areas as phosphates, potash, petrochemicals, steel, rubber products, and other products, according to the communique. A treaty was also signed among the 5 nations, Indonesia, Malaysia, Philippines, Thailand, and Singapore, setting up a "high council" to settle any disputes in the region.

TRUDEAU MOVES TOWARD POLICE STATE

Feb. 26 (IPS)— The Canadian government moved one step closer to Prime Minister Pierre Trudeau's fascist "New Society" Feb. 23 with the introduction of a special "peace and security" package to the House of Commons. The package, tagged on to legislation to abolish capital punishment, includes provisions for indefinite incarceration of people ruled "dangerous offenders;" "better" training of police forces and more equipment and "technical" aids for police work; possible revising of sections of Canada's Protection of Privacy Act to allow police wire-tapping; and stringent gun control measure. The package would also remove jurisdiction over so-called "dangerous offenders" from Canada's Parole Board, limiting the right to appeal to the federal Cabinet. Yesterday's Toronto Globe and Mail reports that the Justice Department and the Solicitor-General's Department are mapping out a major "publicity blitz" to sell the package.

End of Early IPS 02.26.76



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New Solidarity International Press Service (IPS)
Thursday, February 26, 1976
Late Evening News

I. Priorities

SWEDISH BANKS ARRANGE DEBT MORATORIUM FOR NORTH KOREA

Feb. 26 (IPS)--An agreement for an orderly, two-year moratorium on debt has been arranged between the Swedish Export Credit Board, various Swedish Commercial banks and companies and the North Korean government. The agreement postpones North Korea's repayment of 45 million dollars in export credits from 1975 until 1977. The agreement, according to the Journal of Commerce today, has permitted resumption of deliveries to North Korea by Swedish firms under a five-year, 140 million dollar export arrangement with North Korea.

The debt moratorium agreement sets a precedent for industrial countries dealing with the international debt crisis.

BREZHNEV SPEECH SIGNALS SOVIET DEVELOPMENT PUSH

Feb. 26 (IPS)--Soviet Communist Party leader Leonid Brezhnev emphasized that the Soviet Union has a responsibility for taking on global development problems in his speech to the 25th Congress of the Soviet Communist Party now underway in Moscow. According to the text of the speech released in today's Neues Deutschland, Brezhnev stated that "we consider foreign economic relations an effective means of solving political and economic tasks," adding that "there are also other, broader aspects of foreign economic activity. Today, there are important and urgent global problems like energy, raw materials, the elimination of the most dangerous and widespread diseases, protection of nature, exploration of the ocean and space. These problems will have increasing influence on the life of every people and the entire system of international relations," he said. "Our country and the other socialist countries cannot afford to absent themselves from the solution of these problems, which concern the whole human race."

Brezhnev also told the Congress that it is the duty of every Soviet state organ to orient to these problems and that the CPSU Central Committee views "politics, economics, diplomacy, industrial production and trade" as a unified whole.

The Soviet leader's speech, which restates essential points he made in his Spring 1975 speeches on Soviet global responsibility, has been the signal for a renewed international development push by the Soviet Union toward the developing sector.

SOVIETS ANNOUNCE SUPPORT FOR SOUTHERN AFRICA LIBERATION FORCES

Feb. 26 (IPS)--Soviet Ambassador to Zambia Dimitri Belokolas pledged support for liberation movements in Namibia, Zimbabwe and Angola in a statement on the occasion of the 25th Congress of the Communist Party of the Soviet Union in Moscow, according to the Feb. 25 issue of the London Daily Telegraph. According to the Telegraph, Belokolas said that: "During the deep crisis that is affecting the capitalist world, the Soviet Union is becoming a more and more desirable partner in mutually advantageous cooperation, not only for capitalist countries, but also for countries of the third world.

"Life has proved the inability of capitalism to solve the problems facing peoples of developing countries, to overcome economic under-development, to gain economic independence and to raise the living standards of the masses."

The Feb. 25 London Times says observers in Lusaka, Zambia report that the Soviets have recently increased aid to the South West Africa People's Organization in Namibia and to "the Nkomo faction of the African National Council" in Zimbabwe.

CZECH PAPER BLASTS WORLD BANK,
CALLS FOR NEW FACILITY TO FINANCE LATIN AMERICAN TRADE

Feb. 26 (IPS)--Rude Pravo, the Czechoslovak Communist Party Daily, Feb. 24 attacked the World Bank and the Inter-American Development Bank as instruments of exploitation and suppression of the third world. The article, reprinted from the German Democratic Republic publication Horizont, recommended taking the Inter-American Development Bank out of U.S. control and making it a Latin American-controlled bank capable of dealing with other industrial capitalist countries like Japan and those of Western Europe.

PRAVDA PRAISES TURKEY'S DEMIREL

Feb. 26 (IPS)--The Soviet daily Pravda reaffirmed Soviet support for improved relations with NATO-allied Turkey, according to the Feb. 24 issue of the paper. An article by A. Filippov praised a speech by Turkish Prime Minister Suleyman Demirel last week before the Turkish Parliament in which Demirel stressed that despite the different socio-economic systems in Turkey and the Soviet Union, the differences "are no obstacle in the development of business links and friendly relations between the two countries." Soviet Prime Minister Alexei Kosygin visited Turkey late last year to arrange an unprecedented development investment package involving 700 million dollars in long-term, low-interest credits.

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RUDE PRAVO ATTACKS ANTI-COMMUNIST WITCHHUNT IN EGYPT

Feb. 26 (IPS)—Rude Pravo, the official Czechoslovakian Communist Party organ, today defended the Egyptian Communist Party, which has recently been scapegoated by Egypt's Sadat government for causing the nation's financial crisis by asking for high wages for Egyptian workers. In an unprecedented move, Rude Pravo quoted an article from the liberal Egyptian weekly Rose-al-Yousef: "The communists are not people with magic but people with a scientific worldview who seek better futures for Egyptians. To unload all Egypt's difficulties on the 1000 or so communists who have never had power and are not armed is a well-known way to direct attention from the real culprits. The seriousness of Egypt's current situation requires that the blame for it be correctly assigned."

BANK OF ITALY ANNOUNCES CREDIT RESTRICTIONS

Feb. 26 (IPS)—The Bank of Italy has announced the implementation of severe domestic credit restrictions which will remove 2 trillion lira of liquidity from the domestic economy and place it at the central bank's disposal, today's Journal of Commerce reports. In addition, the Journal reports that the West German central bank, the Bundesbank, has given a 500 million dollar re-extension of an earlier credit line, while the U.S. Federal Reserve Bank has agreed to provide 500 million dollars in "swap" funds (money used by central banks for currency support operations) to the Italian central bank. Foreign exchange traders had expressed the fear that without these additional funds, the Italian currency would quickly fall from its current rate of 800 to the dollar to 1000 to the dollar or less when the official Italian currency markets re-open next week.

The credit restrictions included: a cut-off of all government export subsidies; the raising of the discount rate from seven to eight per cent with a promise to raise it to nine per cent shortly; and a one-shot obligatory assessment of additional reserves on the banking system.

The measures, which could be implemented by the Italian central bank without additional government approval, "generally meet the Common Market regulations" for a proposed European Economic Community 1 billion dollar commercial loan guarantee to Italy, the Journal of Commerce noted.

LIRA GAINS STRENGTH WITH CENTRAL BANK SUPPORT

NEW YORK, Feb. 26 (IPS)—The Italian lira rose on foreign exchange markets today against European currencies and the U.S. dollar, regaining its level of last Monday--the day before the oil multinationals began dumping the Italian currency. The rise was attributed to support from the West German central bank, the Bundesbank, which had earlier announced the re-extend-

(more)

sion of a 500 million dollar credit line to Italy.

FED COMMENTS ON ITALIAN SITUATION

WASHINGTON, Feb. 26 (IPS)—Sources at the Federal Reserve Bank here found the Italian financial situation "extremely unstable" despite the announcement yesterday by the Fed and the Bundesbank that 1 billion dollars in credit lines would be opened up to Italy and the likelihood that the proposed 1 billion dollar European Economic Community commercial loan guarantee would go through some time next week.

The total amount of credit to Italy is now 2 billion dollars, one Italian expert stated, and that could go very quickly. It is a political question, the expert continued, and it is hard to know whether it (the 2 billion dollars) will hold.

BALTIMORE SUN SEES CONNALLY, ROCKEFELLER AND HUMPHREY IN PRESIDENTIAL RACE

Feb. 26 (IPS)—Former Governor John Connally of Texas, Vice President Nelson Rockefeller and Senator Hubert Humphrey (D-Minn) will likely emerge as the nation's leading presidential contenders according to an editorial in today's Baltimore Sun. Connally "has asked Republican state chairmen to come see him the day after the March 9 voting in Florida" and Vice President Rockefeller "sounded much like a man preparing for another run," the Sun states, adding that President Ford and former California Governor Ronald Reagan "dare not assume their current duopoly ...will last indefinitely."

On the Democratic side according to the Sun, "if the primaries fail to produce a viable liberal candidate, there could be considerable sentiment on the Democratic left to nominate Senator Hubert Humphrey in a brokered convention."

BOSTON'S O'NEIL INTRODUCES BILL FOR MORATORIUM ON CITY DEBT

BOSTON, Feb. 26 (IPS)—Boston City Councilman Albert O'Neil this week reintroduced to the Public Services Committee of the Council a bill proposing a moratorium on the city's debt service and principal for a period of 18 months. The bill had been previously submitted to the Committee last year.

O'Neil's proposal came at the same time that Boston's municipal unions had been told by the First National Bank of Boston (FNB) that the city was facing imminent default on its obligations and that the unions had to purchase city bonds with their pension and other funds. The unions refused.

In a surprise move today, FNB bought 50 million dollars of an 85 million dollar bond offering by the city, despite its

earlier warning that the pension fund commitment by the unions was the prerequisite for any purchase by the bank.

DETROIT MAYOR WARNS OF IMPENDING MUNICIPAL BANKRUPTCIES

Feb. 26 (IPS)--Detroit Mayor Coleman Young warned today that his city would be bankrupt by July 1 if more federal and state funds were not forth coming. In remarks before Congressional Joint Economic Committee hearings in Washington, Young said that other cities, including Philadelphia, Boston and San Francisco, would soon follow Detroit into bankruptcy if the federal government didn't come up with bailout funds.

Describing the state of Detroit's financial crisis, Young said that the city faces a 44.3 million dollar deficit in the fiscal year ending June 30 that will grow to 103.3 million dollars next year. In an interview following the hearings, Young said that unless Detroit is able to get 50 million dollars "from somewhere," he will have to lay off 5000 more city workers, over and above the 4300 workers already dropped from the municipal payroll. Young's remarks were reported in today's Washington Post.

MASSIVE U.S. GOV'T DEPLOYMENT TO STOP DEBT MORATORIUM

Feb. 26 (IPS)--Faced with massive international pressure in favor of debt moratorium and a new international economic order, leading U.S. government officials have deployed internationally to ensure continued collection of debt.

Italy and Egypt, two nations where debt moratorium is a topic of high-level discussion, will be subject to the heaviest schedule of U.S. visits. A delegation of liberal congressmen who attended last fall's United Nations Special Session on Development, which will probably include Senators Jacob Javits (D-NY), Gale McGee (D-Wyo) and Dick Clark (D-Iowa) and Rep. Charles Diggs (D-Mich), will soon journey to Italy. In addition, a high-level delegation including Treasury Secretary William Simon, top presidential economic advisor William Seidman and other members of the State, Treasury, Agriculture, Interior and Commerce Departments will be in Italy on March 8-10 following a swing through Israel, Syria, Saudi Arabia, West Germany and Egypt. Egypt has also been targeted for a visit by State Department Deputy Secretary for Economic Affairs Charles Robinson, who is there now.

Also in North Africa is State Department Mideast specialist Alfred Atherton--an orchestrator of the Lebanese civil war--who is now devoting special attention to Algeria, a leader of the third world's fight for debt moratoria.

ABZUG COMMITTEE ASKS CONTEMPT ACTION AGAINST FBI AND NSA AGENTS

Feb. 26 (IPS)--By a 6 to 1 vote yesterday, Rep. Bella Abzug's

(D-NY) House Subcommittee on Government Information and Individual Rights recommended that contempt of Congress citations be brought against six special agents of the FBI, one former FBI agent and a National Security Agency employee who refused to comply with the subcommittee's subpoenas for information on government interception of telex communications. According to today's New York Times, their refusals were based on directives from Attorney General Edward Levi and Assistant Defense Secretary William Clements, acting under instructions from President Ford, to invoke the doctrine of "executive privilege."

Rep. John Moss warned the witnesses that their reliance on the Justice Department did not relieve them of personal liability. He went on to declare, "The real contempt here has been committed by the Attorney General of the United States and the President of the United States....The Attorney General is without any authority. It is the most outrageous assumption, the most arrogant display by the Attorney General I have ever seen. Some damn two-bit appointee of the President is not the law-making body of this country."

Rep. Abzug further warned that representatives of telegraph and telex companies, who have been summoned to testify next week, may attempt to invoke "executive privilege." She termed such action by private individuals unprecedented.



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NEW SOLIDARITY INTERNATIONAL PRESS SERVICE (IPS)
EARLY EVENING NEWS -- 1600 HOURS EST
FRIDAY, FEBRUARY 27, 1976

COPPER TRADERS SEE NO SIGN OF "UPSWING".

NEW YORK, Feb. 27 (IPS)--Experts in international commodities trading at major New York trading houses today said yesterday that patterns of copper buying reflect no sign of an "economic upswing." One expert stated that "even though there is a lot of talk about a housing boom-led recovery, no one is proving that they believe it by arranging to have an ample supply of copper on hand. While it is true that prices have been going up somewhat, they are still below production cost and there are about 2.5 million tons that speculators have bought just sitting around." Another expert noted that in spite of the disruption of copper deliveries from southern Africa due to the closing of the Benguela railway through Angola, the closing of the Zambia/Rhodesia border, and the threat of social unrest in Zaire and South Africa, copper consumers are not building up their extremely low stockpiles.

Summing up the industry's view of the "recovery", Herbert Barchoff, the president of the American Copper Council, wrote in the latest monthly letter of Eastern Rolling Mills that "two years ago the same circumstances would have been sufficient to boost the price up 25-50 cents (50-100 per cent). The recovery being what it is right now, a 3 cent price rise is expected in the next two months."

SOVIETS GIVE BACKING TO PERU.

Feb. 27 (IPS)--An article headlined "USSR Will Give Its Full Support to Peru," in the Miami Diario Las Americas, a paper connected with right-wing Cuban exiles, reports that Soviet diplomats in Lima have announced that the USSR is willing to finance major development projects in Peru "because the economic situation of Peru is the most progressive in Latin America." The Soviet statements, delivered by the Counselor to the Soviet Embassy Yuri Konst and other Soviet officials, were made at a press conference this week less than a week after U.S. Secretary of State Henry Kissinger stopped in Peru to warn the government against its pro-development stance.

The officials specifically said that the Soviet Union is willing to finance the Olmos irrigation project and added that Soviet and Peruvian experts are now conducting studies in various sectors to determine the form in which the Soviet Union could best give its technical and financial support to Peru.

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**MANLEY CALLS ON THIRD WORLD TO DUMP IMF AND WORLD BANK
AND HASTEN THE ESTABLISHMENT OF A NEW WORLD ECONOMIC ORDER
THROUGH NEW CREDIT AGENCIES THAT PROMOTE DEVELOPMENT.**

Feb. 27 (IPS)—Jamaican Prime Minister Michael Manley two days ago called on the Third World to "hasten" the establishment of a New World Economic Order by "uniting in action" to dump the International Monetary Fund and the World Bank and to create new credit institutions that would promote development. In an interview with Cuban news agency Prensa Latina, Manley emphasized that "accelerating" the establishment of New World Economic Order and the creation of "our own means to promote development" is essential because "the imperialist process has enslaved us to its decaying institutions, such as the International Monetary fund, its world credit organs and multinational enterprises that control our economies and block the development of the Third World."

LIMA PAPER TOUTS SOVIET DEVELOPMENT.

Feb. 27 (IPS)—The Feb. 22 Lima la Prensa, in coverage rarely seen in Peru, printed a feature from the Soviet News agency Novosti which counterposed the continuing industrial growth of the Soviet Union to the decline in the West, and said that the USSR is the model of how a planned socialist economy grows. Novosti goes back to the first Soviet five-year plan, and attributes all Soviet growth since then to the "intensification of social production," which the article identifies with the adoption of increasingly efficient technology, more skilled labor.

**INDIAN GOVERNMENT PASSES COMPULSORY STERILIZATION MEASURES;
PRO-DEVELOPMENT FORCES HIT BACK.**

Feb. 27 (IPS)—The Indian government announced a new birth control plan involving compulsory sterilization for couples with two or more children in the federal New Delhi region, affecting all government employees, according to yesterday's New York Times. The package of "incentives and disincentives" has been placed for discussion in various state assemblies and has already been passed in the state of Punjab. Failure to comply with the new birth control plan will be punished by the curtailment of a variety of government-provided services such as medical care, jobs, housing and drinking water in certain areas.

The passage of these birth control measures which have been strenuously pushed by such Western institutions as the World Bank, has resulted immediately in sharp attacks by left-wing pro-development forces in the country who have located the question of birth control as a real problem of development that has by no means been resolved.

The battle against genocide was brought into the open by the leading pro-development daily, The Patriot, Feb. 25 which sharply attacked the government measure, charging "that the measures are a glaring discrimination that directly contravenes the spirit of soc-

(more)

ial justice. If it is true that poor families are larger than the planned rich families, such incentives and disincentives can only make the disparities more callous."

WEST GERMAN POLITICIANS, INDUSTRIALISTS ASSAIL "DOLLAR/DEUTSCHEMARK AXIS".

WIESBADEN, BRD, Feb. 27 (IPS)—West German politicians and business leaders interviewed over the past two days by IPS expressed near-unanimous opposition to Atlanticist proposals for a "Dollar/Deutschemark axis," under which a revalued West German Deutschemark would act to enforce austerity on the rest of Western Europe to enable countries such as Italy to repay their dollar indebtedness.

Dr. Hiss, the chief of economics for the Federal Chancellory, said yesterday that "this (axis concept) is the private opinion of Henry Wallich (member of the Board of Governors of the New York Federal Reserve Bank who thumped for the "Dollar/deutschemark axis" in speeches in West Germany this week), not ours. New York merchant bankers can do whatever they want as long as they don't break the law."

A spokesman for the Oldenburg area Landesbank added: "We'll fight tooth and nail against this; it would mean a large drop in exports and we've had enough of that. I can't understand why Emminger (West German bundesbank Governor and prominent Atlanticist Ottmar Emminger, who supports the axis idea) thinks like this, and the U.S. doesn't understand us very well."

Another West German business leader stated: "no one would like to see the mark revalued. We are too dependent on exports. The drop in export orders is terrifying...no German politician could support revaluation."

And the chief of the export division of a manufacturing firm commented on the Schmidt government's ability to withstand intense Atlanticist pressure for the revaluation by stating: "We still have not signed a peace treaty with the allies."

HOUSE SUBCOMMITTEE REFUSES TO ALLOW NCLC TO TESTIFY ON GOVERNMENT REPORT BRANDING IT "SUBVERSIVE".

WASHINGTON, D.C., Feb. 27 (IPS)—the House Subcommittee on Constitutional and Civil Rights two days ago refused to allow the National Caucus of labor Committees to testify at upcoming hearings on a General Accounting Office report which accuses the NCLC of being a "subversive organization." Counsel to the Committee, Mr. Green, told NCLC representatives that "victims of the report such as you" will not be allowed to testify at the subcommittee's hearings on the report. Subcommittee chairman Rep. Don Edwards (D-CALIF) declared at a public hearing of the Committee earlier in the week that opponents of the proposals for FBI oversight detailed in the report would be allowed to speak at subcommittee hearings.

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SEATTLE JUDGE THROWS OUT CHARGES AGAINST USLP CANDIDATE.

SEATTLE, Feb. 27 (IPS)—King's County Superior Court Judge Erie Horzwill on Feb. 24 overturned the last of 33 outstanding arrest charges against U.S. Labor Party members stemming from the Party's Spring-Summer 1975 electoral campaign. Horzwill noted that the arrest of City Council candidate Steven Kane on charges of "harassment" at a boycotted K-Mart store represented "a very thin case." Kane was arrested for calling a woman a "scab" as she entered the store, which was boycotted by the Party nationally for its First Amendment lock-out of the USLP campaign. Horzwill noted that the "word 'scab' has a historically significant connotation."

All of the dismissed arrest charges are the subject of an ACLU-sponsored federal civil rights injunction against the Seattle Police Department now pending in U.S. District Courty. Five individual members of the FBI-directed Revolutionary Union are also being sued by the USLP for 250,000 dollars each in a damages claim now in the discovery stage in King's Country Superior Court. The suit stems from 10 cases of RU harassment of the USLP campaign.

The USLP anticipates further legal action this week as the Kane acquittal signals the capacity to file a battery of false arrest claims against the City.

FASCIST "NATIONAL PLANNING" CONFAB PLANNED FOR MARCH 11.

WASHINGTON, D.C., Feb. 27 (IPS)—The Initiatives Committee for National Economic Planning (ICNEP) has announced that it will hold a meeting on March 11 in Washington to discuss Financing in the Public Sector. The meeting's sponsors include Toledo industrialist Edward Lamb and Orville Freeman, head of Business International, an organizing arm of the multinational corporations. Last March, ICNEP issued a call for "fascism with a human face" as a "solution" to the economic crisis.

END IPS EARLY FOR FEB. 27, 1976.



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NEW SOLIDARITY INTERNATIONAL PRESS SERVICE (IPS)
LATE EVENING NEWS ROUND-UP
FRIDAY, FEBRUARY 27, 1976 2130 HOURS EST

I. PRIORITIES

"SHOCKED" INVESTORS DUMP DOLLARS AS U.S. TRADE BALANCE FOR JANUARY SHOWS FIRST DEFICIT IN YEAR

NEW YORK, Feb. 27 (IPS)--The main prop for the U.S. dollar for the past 12 months--the continued U.S. balance of payments surplus as reflected by the U.S. Balance of Trade figures--was unceremoniously removed today with the announcement of the January data by the Commerce Department late this afternoon. The Department reported that the U.S. had incurred a surprising 796.8 million dollar swing in its Balance of Trade between December, when it registered a surplus, and January, when U.S. trade showed a net deficit of 72.6 million dollars.

Only heavy intervention by the U.S. Federal Reserve bank on behalf of the U.S. currency was able to stem the heavy dumping of dollars that developed in Western Europe minutes before the European markets shut down for the day.

The foreign exchange trading chief at the Bank of America stated that "The late announcement of the trade statistics and the intervention by the Fed held the dollar today. . . Monday will be another story....Anything can happen now....We live from day to day."

He also expressed concern that the U.S. would once again begin dumping excess dollars on the world markets after a pause of 12 billion dollar U.S. balance of trade surplus in 1975 was a major factor in absorbing surplus dollars and preventing the complete rout of the U.S. currency in the foreign exchange markets.

Ironically, major causes of the January deficit were the U.S. "upswing" hoax and U.S. efforts to force austerity and import reductions on Western Europe. U.S. imports of foreign autos increased sharply in January, by 171 million dollars, boosting unsold inventories of foreign cars in the U.S. by 100,000. More importantly, the Trade Balance reversal reflects a sharp drop in European imports of U.S. machinery, transportation equipment and autos.

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SWEDISH OFFICIAL STRESSES IMPORTANCE OF DEBT MORATORIUM

STOCKHOLM, Feb. 27 (IPS)--A high official in the Swedish government said in an exclusive interview yesterday that he considered the question of debt moratorium "very important."

The official went on to say that the question of debt moratorium is a central part of the ongoing North-South talks in Paris and that "the problem is that the U.S. opposes it."

"Italy has a delegation in Paris....That's pushing the debt question," the source added. "They have contact with Mancini (Italian socialist leader-ed.). I know him very well and I know that he's pushing the moratorium question."

Swedish government officials this week announced a two-year orderly debt moratorium arrangement with North Korea.

WALL STREET JOURNAL: AUTO UPSWING CLOGGING DEALERS' PARKING LOTS

Feb. 27 (IPS)--Sharp increases in U.S. automobile production scheduled for March are being scheduled solely to build up dealer inventories in hope that consumer buying will pick up later in the spring, today's Wall Street Journal reports. The Journal says that U.S. auto producers have scheduled production of 823,000 vehicles for March, up 22 per cent from February, and that this huge increase in production is intended to add 100,000 autos to dealer inventories. Inventories are slated to rise to 1.7 million autos on April 1, up from 1.4 million on Jan. 1.

The Journal noted that "Detroit's strategy, industry sources say, is to make sure there are enough cars on hand in dealerships to match the expected sales pickup that normally occurs in the spring."

ANALYSTS CAST DOUBT ON AUTO UPSWING

NEW YORK, Feb. 27 (IPS)--Auto industry analysts interviewed here over the past two days have cast doubt on whether the U.S. auto industry's hoped for "upswing" will ever materialize. The industry has scheduled production increases in March to place a large backlog of autos on dealer parking lots in hope of a sales upturn later in the spring.

One analyst at a New York bank said today that the marketing strategies on which the industry predictions are based--which include auto loans currently being extended on a 48-month maturity--were associated with what the industry called the "lunatic fringe" in the 1950s. Another analyst, questioned what would happen if this credit bubble burst, replied, "I know. There will be a huge inventory overhang. But I'm an optimist. No one can say how these things will go."

A source yesterday revealed that General Motors has not yet allocated any of its highly touted 2.6 billion dollar capital

(more)

spending program for the year, an indication that the industry itself may be bracing for a downturn.

DURABLE GOODS "UPSWING"
BASED SOLELY ON DEFENSE COMMUNICATIONS ORDERS

NEW YORK, Feb. 27 (IPS)—Recently released Department of Commerce figures on new orders of durable goods which have been trumpeted in the press as evidence of the economic "recovery" show improvement entirely due to an increase in orders for defense communications equipment.

The figures indicate a 2.3 per cent rise in new orders of manufactured durable goods, or an overall increase of 989 million dollars to 43.82 billion dollars, supposedly reversing a four-month period of stagnation. But the breakdown of the figures shows that the largest single category to increase was in machinery, which rose 1.18 billion dollars to 13.24 billion dollars, and that within this category communications orders rose 75 per cent from 800 million dollars in December to 1.452 billion dollars in January.

The illusory nature of the recovery as reflected in the durable goods figures is confirmed by the fact that January orders for new machine tools dropped 9.6 per cent to 40.2 billion dollars and that manufacturers' backlog of unfilled orders declined 1.2 per cent, continuing a trend of several months.

BANKRUPT ARGENTINA SLATED FOR TREATMENT ACCORDED TO
WEST GERMANY AFTER WORLD WAR II, SAYS BRAZILIAN DAILY

Feb. 27 (IPS)—An article titled "Argentina Cannot Pay Its Debts" in the Brazilian daily Folhas De Sao Paulo yesterday revealed that "according to official sources, the (Argentine) Central Bank's technocrats are studying a drastic monetary reform, similar to the one carried out in West Germany after the Second World War and it would be implemented through a violent political hardline approach."

Folhas reported that "the Buenos Aires press reported yesterday that the Argentine Central Bank will not be able to meet its debt payments this month totalling 33.8 million dollars." It said that "the largest creditor of the Argentines this month is the Chase Manhattan Bank, which is to receive 31.3 million."

The paper further reported that Economics Minister Emilio Mondelli "continued meetings yesterday (Feb. 25) with the Latin American department chief of the International Monetary Fund, Jack Gunther, in an attempt to obtain 179 million dollars in financing in order to pay its most pressing commitments. Mondelli also met with the vice president of Chase Manhattan with whom he is negotiating the postponement of the debt."

ARGENTINA TO DECLARE DEBT MORATORIUM

BOSTON, Feb. 27 (IPS)—A leading East Coast banker knowledgeable in Argentine affairs said here today that a declaration of a mor-

(more)

atorium on Argentina's huge foreign debt is virtually a fact and may come as soon as March 1, the next business day. "They have little choice," the source said, admitting that Argentina had been rolling over its debt for months with diminishing prospects of repayment.

The banker further stated that his bank and most other foreign banks have frozen all their credit lines to Argentina until the Economics Minister has announced a resolution to the present financial crisis.

Although the International Monetary Fund has an emergency delegation in Buenos Aires at the moment to discuss the Argentines' request for a loan to meet current obligations of nearly 200 million dollars, sources acknowledge that there is little likelihood of the loan being granted in view of the chaos and instability wracking Argentina. However, the Brazilian daily Folhas de Sao Paulo reports that a drastic austerity and rescheduling plan is presently being worked out in the Economics Ministry.

BRAZILIAN WEEKLY CHARGES KISSINGER LATIN TRIP AIMED AT COLLECTING DEBTS

Feb. 27 (IPS)—The latest issue of the Brazilian liberal weekly *Opinio* charges that the real reason for U.S. Secretary of State Henry Kissinger's six-nation Latin American tour was to ensure payment of Latin America's massive debt.

"This debt," *Opinio* points out, "has already surpassed the existing economic possibilities of the Continent." The weekly adds that "the economic crisis of the capitalist world led the rich countries to increase their rate of exploiting the surplus value of the poor countries which today are more indebted and in less of a position to pay their debts."

Opinio explains that the purpose of Kissinger's trip is to confront those countries which desire to "break totally with U.S. dependency" and which are promoting the Latin American Economic System, an inter-American economic development organization that "does not have much sympathies in Washington."

ITALIAN SOCIALIST PARTY REJECTS MAO SLAVE LABOR PLAN, CALLS FOR HIGH TECHNOLOGY

Feb. 27 (IPS)—*Avanti*, the organ of the Italian Socialist Party, today describes as "useless and harmful" Prime Minister Aldo Moro's project to send 50,000 youth and intellectuals to work in half-paid part-time public works jobs in the south of Italy. "In the best of the cases," says *Avanti*, "such intellectuals will be facing a services network inadequate to receive them.... One has to ask through which means will they be able to operate since the old structures will not be sufficient.... They will increase their culture with a bitter experience due to the emptiness of the objectives."

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Presenting an alternative, Avanti states: "The problem is to see if a public intervention can be organized which could be useful for the population by enriching its culture. This could lead to less employment but can represent the first step toward maintaining the cultural level of our human resources...leading very soon to an economic reconversion which must occur soon at a high technological level in order to really preserve employment and the intellectuals."

U.S. AGENTS IN THAI MILITARY THREATEN COUP

Feb. 27 (IPS)—The commander-in-chief of Thailand's army, General Boonchai, called a unilateral military alert without clearance from Defense Minister Pramarn Adirekson Feb. 24, a move which was widely suspected of being preparatory to a coup d'etat. Boonchai, who is said to be very close to the U.S., denied that any coup attempt was intended and said that it was "just an exercise to test the preparedness of the military," according to the Washington Post yesterday. However, the Daily World reported yesterday that Prime Minister Kukrit Pramoj and Foreign Minister Chatichai Choonhaven cancelled a one-day stopover in Singapore after attending the Summit of the Association of South East Asian Nations.

The Far Eastern Economic Review reports that Boonchai recently warned that there might be a military coup before the elections scheduled for April 4 and that there might be violence on March 20, the day that the government has set as the deadline for the removal of all U.S. military personnel from the country. The U.S. is resisting the demand, according to the Far Eastern Economic Review.

NEW YORK TIMES ENDORSES PREVENTIVE DETENTION

Feb. 27 (IPS)—The lead editorial of the New York Times today fully supports U.S. Attorney General Edward Levi's proposed guidelines for the FBI which sanction preventive detention. "It is not only appropriate but obligatory for law enforcement agencies, including the FBI, to act when they have strong and credible reasons to believe that a crime is going to be committed and that timely action can prevent it," the Times said. The Times suggested that "when and what kind of prevention was appropriate" be decided by Congress.

ABZUG, 12 CONGRESSMEN DEFEND SCHORR, FREEDOM OF PRESS

Feb. 27 (IPS)—Rep. Bella Abzug (D-NY) has drafted a letter which has been signed by 12 other Representatives in defense of suspended CBS reporter Daniel Schorr. The letter states that the Congressmen "are deeply disturbed by the CBS suspension of Daniel Schorr and by the vote of the House of Representatives" to investigate him. The letter warns that such action has a chilling effect on other reporters and, by endangering freedom of the press, will strengthen the forces of secrecy in the country. The letter ends with a call for the public disclosure of the report of Rep. Otis Pike's House Select Committee on Intelligence and for full protection of freedom of the press.

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Signers of the letter include Representatives Herman Badillo (D-NY), Shirley Chisholm (D-NY), John Conyers (D-Mich), Ronald Dellums (D-Cal), Michael Harrington (D-Mass), Augustus Hawkins

END OF PRIORITIES



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EARLY EVENING NEWS — 1600 HOURS EST
SATURDAY, FEBRUARY 28, 1976

NEW YORK BANKS SCHEDULE SECOND QUARTER COLLAPSE IN EUROPE, JAPAN.

NEW YORK, Feb. 28 (IPS)—European and Japanese industry can expect a collapse in exports accompanied by a brutal credit crunch and austerity beginning in April and May, according to a top European economist at a major New York commercial bank. "Oil deficits and other trade deficits will increase greatly this year throughout Europe and Japan," he said, "and this means a general deflationary government policy. Interest rates will be high, industrial growth restricted, government spending programs will be cut."

Using France to illustrate the problem, the economist explained that "the entire economy is running on credit, consumer credit, largely auto loans, housing plans, public works. How? The government is printing money, has been since August, at 20 percent annual rates."

"There is tremendous underlying inflationary pressure in the economy," he continued, "and exports will not hold up. In France, the balance of trade is terrible...in January 450 million dollars deficit. It will be worse in February, putting pressure on the Franc unless they want to devalue, and the opposition won't allow it. By April the Banque de France will have to tighten up on money and cut imports. Interest rates will go up, not because of industrial activity demanding loans, but as policy."

The source agreed that bankruptcies would result. "The only hope of the industries will be the international markets," he said. "I agree, they are a bad risk, but the banks must lend to someone; they can't lend to the Third World." He added that "Siemens, St. Gobain, you know, the top corporations, they will get loans," while ruling out loans to the Italian petrochemical giant Montedison and Italian corporations generally.

ATLANTICISTS PROVOKE AFRICAN BORDER WARS.

Feb. 28 (IPS)—A series of Atlanticist-provoked border conflicts in Africa are being inflamed in an effort to derail the discussion of African/Arab cooperation for development at the current meeting of the Organization of African Unity (OAU) at Addis Ababa.

According to yesterday's New York Times, the OAU Political Committee has recommended that the OAU vote on a resolution of the dispute over the former Spanish Sahara between Algeria and the Polisario Liberation Front, and Morocco and Mauritania. The dispute was engineered several months ago to tie up the Algerians in a local border dispute.

The Ethiopian delegation at the OAU meeting is proposing that the OAU mandate that all countries denounce territorial claims to the French Territory of Afars and Issas, according to the New York Times yesterday. The dispute over the Territory and its port, Djibouti, is now being discussed at the OAU meeting as a potential war situation between Ethiopia and Somalia. The dispute has been manipulated by Atlanticist French President Giscard D'Estaing.

Zaire's government-controlled press has accused the Angolan government of a blockade of Zairean ports, according to the Washington Post today. The charges appeared immediately after Zairean Foreign Minister Nguza Karl I'Bond returned to Zaire from a meeting with West German Foreign Minister Hans-Dietrich Genscher in Bonn via a short stop-off at the OAU meeting. In Kinshasa, I'Bond went directly into an emergency meeting with Zairean President Mobutu.

Following a declaration by Ugandan President Idi Amin Dada a week ago that Uganda has land rights to half of Sudan and half of Kenya, dating from the turn of the century, Kenya has declared a virtual state of war against Uganda by cutting off Ugandan imports which are all shipped across Kenyan soil, according to the Baltimore Sun yesterday.

The Rhodesian army killed 24 Rhodesian liberation guerillas two days ago in a blatant incursion into Mozambique "in follow-up hot pursuit." President Machel of Mozambique had already publicly warned the Rhodesians that such border incursions would lead to full military retaliation of the Mozambique army, according to yesterday's Baltimore Sun.

The government of the People's Republic of Benin has closed its borders with neighboring Togo, accusing the Togolese of fomenting revolution in Benin, according to West Africa magazine dated Feb. 23.

The Togolese government is continuing to press its claims to portions of eastern Ghana occupied by the Ewe tribe. The Ghanaian government has pledged to defend its borders by force, West Africa magazine reports.

INDIAN PRO-DEVELOPMENT FORCES MOBILIZE FOR LINKS WITH RESISTANCE FORCES IN EUROPE.

Feb. 28 (IPS)—Iraqi Foreign Minister Hammadi arrived in India last week with a special message on the world economic situation for Prime Minister Indira Gandhi and to begin discussions for establishing a new international secretariat for the core non-aligned group of nations, according to left-wing Indian daily, Patriot Feb. 26. Hammadi then went to Sri Lanka, which is the scheduled host for the next Non-Aligned group meeting, this summer.

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At the same time, Indian government officials have deployed to begin cooperation with forces resisting pressures placed by the collapsing dollar empire upon Europe. Indian Foreign Trade Minister Pratap Singh left for Libya Feb. 25 and then will go to Rome, Italy to finalize and expand economic cooperation between India and those countries. Portuguese Foreign Trade Secretary Antonio Barreto is in India to discuss expanded economic arrangements with India's Soviet financed public sector.

Already the French government has announced 100 million dollars of industrial credits to India and French industrial participation in Indian development projects. These initiatives are taking place as the discussions on the debt issue and International Development Bank type institutions are in progress at the Commonwealth Debt Conference in Great Britain.

SOVIET ACADEMY PRESIDENT CITES FUSION ADVANCES, DEFENDS FUNDAMENTAL RESEARCH AT 25TH CONGRESS.

Feb. 28 (IPS)—Citing the Soviet announcement of recent significant results for the plasma stability of their T-10 Tokamak as his point of departure, President of the Soviet Academy of Sciences Anatoli Alexandrov vigorously defended fundamental research in areas such as Controlled Thermonuclear Fusion in a speech before the 25th Congress of the Communist Party of the Soviet Union.

Alexandrov's speech, reported in l'Humanite of Feb. 27, repeated the assertion made earlier this month that with the T-10 results, the final stage of tokamak development has been reached, but his remarks are apparently intended to pre-empt reliance on that device alone.

According to l'Humanite "The President of the Academy of Sciences had intervened in the deliberations of the Congress to above all defend the idea that fundamental research must not be underestimated in relation to applied research. He used as an example atomic sciences whose consequences on the economy, on energy resources, on defense and even on daily life no one had been able to forecast."

After stressing that "there is absolutely no doubt that the thermonuclear fusion reaction can be realized," Alexandrov reminded the Congress that "this fusion reaction, much more powerful and economical than the fission reaction of the atom, can indeed be utilized in giant power plants which will completely modify the energy balance of our planet."

SAUDIS BEING PRESSURED TO CUT OIL PRODUCTION TO STABILIZE IRAN, ALGERIA, VENEZUELA.

NEW YORK, Feb. 28 (IPS)—The U.S.-controlled Saudi Arabian government is being pressured to make significant cutbacks in production as part of a "share the oil wealth" tactic that, its proponents hope, will stabilize increasingly chaotic fiscal situations in pro-Atlanticist Iran and Venezuela and woo Algeria toward a more

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accommodating position toward the U.S., a thinktanker at the right-wing American Enterprise Institute commented today. According to this source, the Saudi cutback is supposed to allow increased production, and hence, increased revenues for Iran, Venezuela, and Algeria.

While the source denied explicit connections between his assessment and the current trip to Saudi Arabia by U.S. Secretary of the Treasury William Simon, his assistant Gerald Parsky, and White House economic adviser William Seidman, the American Enterprise Institute is known as a "feed-in" operation for the OPEC policy of Simon and his government allies.

Contacted in New York, a banker at Manufacturers Hanover strongly endorsed the Saudi production cutback, noting that the Saudis are already preparing to "de-activate" two large oilfields and are accepting a "trade-off" of production cuts in return for maintaining their hegemony in the OPEC cartel. The banker stressed the necessity of allowing the Iranians to increase production and oil revenues in view of the increasing financial difficulty of Iran.

MEXICAN LABOR FACTION ENDORSES THIRD WORLD DEBT CANCELLATION.

Feb. 28 (IPS)—The most recent issue of Solidaridad, the newspaper of the Galvan wing of the Mexican electrical workers union (SUTERM), endorses the Asian and African proposals at the Manila conference of the Group of 77 for cancellation of part of the Third World debt, and "unified renogiation" of the rest. The implementation of these "combative" proposals, according to Solidaridad, "demands the firmest unity of the...Third World, and the readiness on the part of the governments of the countries involved to take energetic anti-imperialist measures -- nationalizations, total suspension of payment on the debt, state control of banking, freezing of foreign funds, etc. -- as the capitalist financial centers begin their reprisals."

Solidaridad notes that the Mexican delegation at the Manila conference committed "grave hesitations" in the face of "a climate of grotesque pressures of all kinds mounted by the sinister Dr. Kissinger," and organized for a "country-by-country" consideration of debt problems. "Everything gave the impression that the pressures and blackmail of imperialism achieved a certain degree of success."

The "Democratic Tendency" of Rafael Galvan is the largest left-leaning trade union movement in Mexico. A Mexico City rally in November 1975, called by Galvan's movement attracted 150,000 workers, peasants and students.

CARTER ACCUSES HARRIMAN OF LEADING "STOP-CARTER" MOVEMENT.

Feb. 28 (IPS)—Jimmy Carter, the former Georgia governor and peanut tycoon who has emerged as a leading contender for the Democratic Party presidential nomination following his plurality in the New Hampshire primary, has accused banker Averell Harriman of leading a "stop-Carter" movement, according to yesterday's New York Times.

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According to the Times, Carter said in an interview that "non-elected politicians of Washington...fear that someone who is not their candidate might actually become the next president. They can hurt me by propping up someone like Church (Senator Frank Church of Idaho) for a while, or somebody else," Carter continued, "but I don't think they can decide who the nominee will be."

Asked who he meant by "they", the Times said Carter named Harriman, the 84-year-old Eastern patrician who has been a leading behind-the-scenes "kingmaker" in the Party since the 1960 nomination of John F. Kennedy.

The Times also reported that, at a cocktail party hosted by Harriman at his Georgetown home on the evening of the New Hampshire primary which was attended by several editors of the Washington Post as well as former Johnson Administration aide Joseph Califano, "people weren't actively organizing a stop-Carter effort, but most of them were asking, in effect, 'what can we do to keep him from winning'."

ATLANTICISTS MOVE AGAINST CHICAGO BANKS.

Feb. 28 (IPS) -- In two moves clearly aimed at the Chicago banking and industrial community, the Federal Deposit Insurance Corporation and a House Government Operations Subcommittee have moved to place restrictions on so-called "insiders" -- members of bank boards of directors who are business and industrial executives. Whereas in Eastern banking, it is leading bankers who control major corporations through membership on corporate boards, in the regional and specifically the Chicago banking community, the boards of banks are largely composed of local industrial executives.

According to yesterday's Washington Post, the Federal Deposit Insurance Corporation two days ago adopted new rules that require "more rigorous supervision" of business deals made by "insiders." At the same time, the Post reports, House Subcommittee headed by New York bank ally Rep. Benjamin Rosenthal (D.-NY), voted 8-3 to demand unrestricted access to confidential bank records -- including records of the accounts of major depositors -- which Rosenthal says are needed to trace "insider loans" made to corporations headed by members of the banks' boards. The three Republican members of the subcommittee issued a press release denouncing the move, which their spokesman Rep. John Erlenborn (R-Ill.) attacked as a violation of the Privacy Act.

END IPS EARLY/2.28.76



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NEW SOLIDARITY INTERNATIONAL PRESS SERVICE (IPS)
LATE EVENING NEWS ROUND-UP
SATURDAY, FEBRUARY 28, 1976 2200 HOURS EST

I. PRIORITIES

BERLINGUER PLEDGES FEALTY TO NATO IN SPPEECH TO SOVIET PARTY CONGRESS

Feb. 28 (IPS) -- Italian Communist Party General Secretary Enrico Berlinguer yesterday told 5,000 delegates to the 25th Congress of the Communist Party of the Soviet Union "that his party supported Italy's membership in the Atlantic Alliance (NATO), sought cooperation with diverse ideologies at home and favored a 'pluralistic and democratic system'," according to the New York Times today. The Times added that Berlinguer "did not criticize the Soviet Union directly," but ignored the concept of 'proletarian internationalism' which has been stressed by Brezhnev and other speakers at the Congress, and "drew a clearly independent line from Moscow."

ITALIAN PAPER SAYS PCI READY TO ENTER GOVERNMENT

Feb. 28 (IPS) -- Repubblica, an Italian daily linked to Atlanticists FIAT head Gianni Agnelli, indicated today that the Italian Communist Party has proven its qualifications to enter an austerity cabinet by severing its last ties to the Soviet Union. "Berlinguer's speech at the 25th Congress of the CPSU (Communist Party of the Soviet Union) in Moscow, without dramatic overstatement, consummated the party's definitive split from the Soviet Union's leadership. Repubblica adds that "the operation was started many years ago, and it has been a lengthy one: now it is concluded."

WEST GERMAN CHANCELLOR SCHMIDT MOOTS PCI ENTRY INTO ITALIAN GOVERNMENT

Feb. 28 (IPS) -- At a Feb. 25 press conference that was blacked out of the West German press, West German chancellor Helmut Schmidt mooted the possibility of the Italian Communist Party entering the Italian Government. Schmidt stated that "I am not in a position to exclude a priori the eventual granting of new credit to Italy by the Bundesbank after the formation of a government with Communist participation. It will first be necessary "Schmidt explained, "to see how this historical compromise is (more)

realized, which is a hypothetical perspective for the moment."

According to yesterday's Corriere della Sera, Schmidt also said that were the PCI to enter the Italian government in the historical compromise, a NATO intervention could occur. "There are two historical precedents," Schmidt said, "Iceland and Portugal ...A more serious and complex situation was created in Lisbon, but NATO did not lift a finger although it had reasons to be seriously worried. However, it has not been said that in the future NATO will behave in the same way; its attitude will depend on many factors. The final decision will be taken by the various capitals..."

FRENCH SOCIALIST PARTY SPOKESMAN FOR
WHITE COMMUNIST GOVERNMENTS IN EUROPE

Feb. 28 (IPS) -- French Socialist Party political scientist M. Duverger today insisted on the "right" of the pro-NATO French and Italian Communist Parties to participate in their respective governments in a column in today's Le Monde. Criticizing both President Ford and Soviet leader Leonid Brezhnev for opposing this "historical compromise" "for their own reasons", Duverger called on PCF leader George Marchais, PCI head Enrico Berlinguer and Spanish Communist leader Santiago Carrillo to "go the way of Luther in his break with Rome" and declare their own "decisive break" with the "proletarian internationalism of the Soviet Union."

In a warning aimed at the anti-Atlanticist Gaullists who predominate in the French military, Duverger stated that the only way to block the "historical compromise" in Europe would be "to use force...This is called fascism." He added that a military coup against a "white communist" government "would directly violate the North Atlantic Treaty."

GAULLIST THINKTANKER WARNS OF FASCISM
AND WAR IN 1978

Feb. 28 (IPS) -- The president of France's Gaullist-linked Foreign Policy Institute, Louis-Auguste Girault de Coursac, yesterday warned of the threat of fascism and war in Europe by 1978, if Atlanticist control of Europe through NATO is allowed to persist, according to today's L'Humanite. De Coursac coupled this warning with a call for French complete withdrawal from NATO.

Citing the recent speeches by NATO Sec. Gen. Haig and West German Chancellor Helmut Schmidt which opened the door to participation by white communist agents in the governments of Italy and France, de Coursac stated that the "declaration of Schmidt and Haig are the same. We will have a Europe in 1978 which will see the end of liberties and with an important threat of fascism and war which we will be forced to go along with."

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ITALIAN COMMUNIST PARTY PUSHED INTO MINORITY OF ITALIAN UNION MOVEMENT

Feb. 28 (IPS) -- The pro-austerity and agent-led Italian Communist Party, which has had uncontested hegemony over the Italian trade union movement since World War II, has now been pushed into the minority in the trade unions, according to the pro-development financial daily *Il Fiorino*.

In a move which is attributable directly to the organizing of the pro-development Mancini faction of the Socialist Party against the policies espoused by Luciano Lama, a PCI leader and head of the PCI-linked CGIL trade union confederation, the nation's other two major union confederations, CSIL and UIL have declared their opposition to the proposal for "staggered wage increases" advocated by Premier Aldo Moro's fascist economic advisor Nino Andreatta and backed by Lama. *Fiorino* states that the Communist Party was effectively isolated at the exploratory meeting yesterday of the three confederations at which CSIL and UIL announced their stand, and added that the majority line could now be easily approved at the next joint meeting of the leaders of the industrial "category" unions and the confederations March 1-2.

ATLANTICISTS MOVE TO REVIVE MAOIST ALLIANCE

Feb. 28 (IPS) -- Indications from numerous sources confirm that U.S. Atlanticist forces are moving to shore up their alliance with the Maoist regime in Peking as part of a general shift to a confrontationist global posture. The *New York Times* reported today that President Ford will appoint a former Secretary of Defense, Thomas Gates, as the new U.S. chief of the liaison office in Peking, replacing George Bush. Gates is now an investment banker, who has worked with Morgan Guaranty of New York for the past 15 years. He is a close personal friend of Vice-President Nelson Rockefeller.

Atlanticist policy toward China was presented in the *New York Times* today by columnist C.L. Sulzberger who argued that former President Richard Nixon's current trip to China should not be attacked. More important, he insisted, is to realize that "the world's greatest political problem is whether China will remain friendly to the U.S., or, instead, will swing back toward Russian when the post-Mao succession is settled." Sulzberger cited Nixon's trip as valuable in providing information on the current political struggle within China between Chairman Mao tse-Tung's anti-Soviet faction and the pragmatist faction of the late Premier Chou En-lai.

Latest reports from inside China are that wall-posters placed at Peking University are now attacking Chou's deputy, Teng Hsiao-ping, the major target of the current Maoist attacks, by name.

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**CIA USES RED-SCARE TACTICS TO JUSTIFY MILITARY BUILD-UP;
TIMES SAYS SO-CALLED MICROWAVE WARFARE COULD END DETENTE**

Feb. 28 (IPS) -- The CIA released a report yesterday claiming that the Soviet Union spent forty per cent more than the U.S. on defense last year. The report, an eight-page document titled "A Dollar Comparison of Soviet and U.S. Defense Activities, 1965-1975," was presented to the House Armed Services Committee on Friday as part of the CIA's efforts to justify a massive increase in the Defense budget, today's New York Times reports.

At the same time, an editorial in today's New York Times entitled "Moscow Microwaves," urged U.S. retaliation against the Soviets for their alleged use of microwave radiation to jam eavesdropping devices at the U.S. embassy in Moscow, even at the cost of detente. Unless the Soviets halt the use of the radiation, the Times says, "the alternative might be either total evacuation from Moscow of the American Embassy staff or the institution of retaliatory microwave bombardment of Soviet diplomatic installations in this country."

**PRESS REORGANIZED FOR POLICE
STATE CONTROL?**

New York, Feb. 28 (IPS) -- It was learned here today that major network news media in the U.S. are carrying out a massive "reorganization" for controlling news in a way that may virtually approximate quasimilitary censorship. Apprehensive reporters indicated to IPS that they are not at liberty to discuss the nature of these reorganizations; but preliminary data reveals the following:

*At NBC network news, assignment editors no longer handle news intake, as established under previous procedures. All incoming news not from the Associated Press or United Press International wires now goes directly to a newly created news officer called the "coordinator." In a phone conversation with IPS, the "coordinator" operated a telephone monitoring device apparently tape recording the entire conversation. The coordinator then indicated that all news given would be referred to NBC's Washington bureau, and that no further information could be given on decisions for broadcast of information received.

*CBS network news assignment editors indicated likewise that new procedures now eliminate their role in assignment of news for reporting or coverage. All news for network radio and television assignment is now handled directly by the Walter Cronkite TV evening news show producer, Don Lane, or the TV morning news show producer, Dick Reeves.

This strict top-down CIA news regimentation constitutes

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quasi-military takeover of news, eliminating the role of any personnel not directly operating under CIA liaison. It follows immediately on the successful press crackdown test case of CBS reporter Dan Schorr, fired by CBS and under investigation for dissemination of "official secrets."

BROOKINGS SAYS STOCK MARKET BUBBLE
A SPUR TO RECOVERY

Feb. 28 (IPS) -- According to a study by Barry Bosworth of the Brookings institution, the 180-point speculative rise the Dow Jones industrial average since mid-December will provide the basis for credit expansion that will further strengthen the alleged economic recovery in the U.S.

Bosworth estimates that the increase in the Dow translates into 225 billion dollars in additional wealth to stockholders, according to yesterday's New York Times.

The Times states that "though some of this is paper wealth, it is wealth nevertheless," and explains that, according to Bosworth's study, such a "ballooning of wealth" will serve as the basis for the issuance of credit which will spur spending. Based on the "ripple effect" of the increased stock prices, Bosworth's study estimates, consumer spending will rise by 6.8 billion dollars to 11.3 billion dollars, and investment in new plant and equipment will increase an extra 6.5 billion dollars.

Another forecaster interviewed by the Times termed the recovery "simply fantastic so far."

STOCK MARKET HEADING "DOWN THE CHUTE FROM NOW ON"
AMID SIGNS FED TIGHTENS CREDIT TEINS

New York, Feb. 28 (IPS) -- Predicting that the stock market is heading for a downturn, a reliable source at a large New York Bank said that unease shown in the stock and bond markets yesterday was due to signs that the Federal Reserve Bank has decided to turn off the credit spigots. Commenting on the fact that the government securities market dropped 20 to 25 basis points while the Dow Jones Average plummeted 12 points before recovering half its loss at the end of trading yesterday, the source said that traders had interpreted the Federal Reserve's failure to keep the key Fed Funds rate (the interest rate at which the Fed lends to Commercial Banks) from rising from 4 3/4 to 4 7/8 per cent, as a sign that the Fed is tightening up on credit.

The opinion of traders in New York is that "interest rates will be high," he said. "It's down the chute from now on."

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