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IN THIS WEEK'S ISSUE —

Europe's central bankers have made the United States **an offer it must not refuse...** a move to bring about the **remonetization of gold** as the means to knock out the **London-centered speculators...** and allow the hard-hit dollar to become the currency vehicle for new hard-commodity world trade credits... Our **INTERNATIONAL** report presents a report on the Basel meeting of the Bank for International Settlements where the offer was made, based on **eyewitness accounts** from our correspondents there... and **unravels the web of rumors** with which the City of London is trying to stifle the import of the Basel meeting... **Featured:** a U.S. Labor Party policy statement that puts the Basel plan in the context of the Labor Party's proposed expanded role for the U.S. **Export-Import Bank**, and of European moves to relocating the Eurobillions **out of London's control** and into a development-oriented gold center in **Luxembourg...**

* * *

... But the United States must get in on the European initiative soon... before its economy is **gobbled up by Britain...** This week's **INTERNATIONAL** section also tells the story of

London's "asset-strippers" and how they are trying to play U.S. business for a sucker... in a report that includes **candid statements by British bankers** on how they intend to **reclaim America** for the British Empire...

* * *

Significant U.S. forces are beginning to turn toward the **Eximbank alternative** to colonialization... as this week's **U.S. REPORT** shows... with in-depth coverage of **hearings now being conducted** by Senator Adlai Stevenson III that reflect broad support for an expanded Exim role for expanded U.S. trade and production...

* * *

Further programmatic armory for that political battle is in this issue's **SPECIAL REPORT on the Eximbank...** that is **required reading** for every political and business leader... The **Executive Intelligence Review's** Editor in Chief Nancy Spannaus explains the relationship between the U.S. Labor Party's

emergency Eximbank proposal... the already mandated powers of the **Exim and the Federal Reserve**... and the long-term need for a new **National Bank**... why this does **not** mean new, hyperinflationary U.S.-issued credits... and how it meshes with the Europeans' Luxembourg strategy... **Also included:** a thoroughly documented examination of the **U.S. aerospace industry**... that shows why this tremendous high-technology asset has been pushed to the edge of collapse thanks to **insufficient and incoherent** government credit policy... and details **how much more it could do**... pinpointing what sort of credits can **save** aerospace, and what sort could **destroy** it... **Plus:** the shocking story of how environmentalists are using **the courts and the government** to destroy the Eximbank and U.S. exports... with some of the most **wildly illegal** tactics yet... all in our **SPECIAL REPORT** this week...

Other highlights of this week's issue... **An Analysis** that takes on the Kissinger scenario for a new "Chile" in Italy and reveals the other side of the story, featured in **EUROPE**... and a **first-hand account of how British "surrogate warfare" terrorism** has plunged Italy into virtual civil war... a **COUNTER-INTELLIGENCE** feature that warns, "**It can happen here**"... The **full text** of the NAACP's **breakthrough declaration** for expanded nuclear and other energy sources, plus how **other forces** are being brought into the fight for energy growth, in the **U.S. REPORT**... A **damning case study** of energy czar Schlesinger's "**politics of calculated cheating**," in **ENERGY**... and in **SCIENCE AND TECHNOLOGY**, a speech by the Hoover Institution's Stefan Possony that predicts that fusion technology will pull the rug out from under the Carter Administration's medieval "political magicians"...

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Eyewitness Report:

Basel BIS Meet Puts Burns Against The Golden Wall

Exclusive to Executive Intelligence Review

Meeting at Basel, Switzerland this week, Western central bankers at the Bank for International Settlements (BIS) led by Switzerland, West Germany, Japan, and France, served notice on U.S. Federal Reserve Chairman Arthur Burns and the rest of the U.S. delegation that the U.S. must institute a firm commitment to support the dollar — or face a unilateral move by its allies to force the U.S. into a gold monetary system. NSIPS correspondents on the scene report the outlook of the Europeans, in the face of the havoc being wrought upon their enemies by the dollar's decline, is grim.

Furthermore, signs emerged that U.S. allies are tying the dollar crisis directly to new European demands for expansion of all nations' Export-Import trade funding at a simultaneous Paris meeting of the Organization for Economic Cooperation and Development.

The successful result on the foreign exchange market this week was a significant rise of the dollar against the West German mark and other major currencies. Gold, however, rose from \$169 to \$174 per ounce on the week to date (Jan. 12) in response to the general gold negotiations.

Leading European gold dealers said further that the result of the meeting, which ended officially Jan. 10 but in fact is dragging on at this moment, is likely to be a U.S. agreement to swap American gold — at *market prices* — with West Germany and Switzerland for marks and francs to defend the dollar. This is to avoid having the U.S. run up a swap debt in deutschemarks and Swiss francs which would have to be paid later with emergency shipments of U.S. gold at the official price of \$42 per ounce. Such trading by the U.S. government of gold at market price would mean that the U.S. is "effectively revaluing its gold at the market price and remonetizing gold," European traders said. If true, U.S. reserves would rise from \$11 billion to over \$50 billion and the dollar will be stabilized amid a general return to a gold-oriented world monetary system.

According to Swiss and other official sources, Chairman Burns was told that the U.S. must be saved from itself. "We're demanding emergency means to defend the dollar," they said, expressing their fears that "the world is on the eve of a catastrophe, and it could occur tomorrow morning," that is, currency turmoil generating Herstatt-style commercial bank collapses and similar phenomena.

Worried European commercial bankers, interviewed

around Basel during the meeting, expressed rage at what the U.S. has done to its own currency. "Jimmy Carter is the lowest ebb ever of the U.S. presidency," said one West German economist. "And you speak of Brzezinski — he's a dangerous maniac. Walter Mondale is completely untrustworthy." One Swiss was moved to comment, "James Schlesinger (now traveling the Mideast to coerce the Arab World into demanding cutbacks in U.S. energy consumption) is a criminal idiot trying to surrender the industrialized West to the Marxists."

Specific action being taken by the Europeans — of which the U.S. authorities were pointedly made aware — include intense pressure on the U.S. Federal Reserve contacts to maintain firm daily market support for the dollar. Otherwise, more extensive discussions are being held with progold Americans, including in Congress, on the gold option and more importantly on dealing directly with the U.S. trade deficit on a real economic level — the promotion of U.S. exports through the Eximbank and all other available channels. In fact, a Paris meeting of the OECD Group of 20 industrial nations on the Rambouillet "Gentlemen's Agreement" limiting "competition" — i.e. expansion — of the various national export-import bank programs broke up Jan. 10 in disarray as the European governments demanded greatly stepped-up export financing agreements.

In other official actions, Swiss monetary officials told the EIR that they are "in full support of the Luxembourg gold market plan," developed by assassinated Dresdner Bank chief Jürgen Ponto, to join expanded commercial banking operations in gold to new expansion of credits for Third World and East-West trade development. "This is a matter of more than petty national interests," said the overseers of Zurich, the world's largest gold market — who would love to see the speculators knocked out of the entire international gold market and control of the market by the German central bank in conjunction with Luxembourg authorities. Swiss Central Bank Chairman Fritz Leutwiler meanwhile flew to Tokyo to brief Japanese officials on the BIS meeting.

European private bankers vowed to mobilize especially their Mideast contacts — including those in the Saudi Arabian Monetary Agency — and on Jan. 11, Saudi Arabian Oil Minister Zaki Yamani gave a joint press conference in Riyadh with French Industry Minister Monory which was right on target, demanding more support for the dollar. West German commercial banks interested in the Luxembourg plan are briefing their

American contacts on the result of the BIS meeting, and again tying Luxembourg to expansion of U.S. exports.

U.S. Reaction and Dollar Developments

U.S. Federal Reserve Chairman Arthur Burns reacted to the pressure in two significant ways. First, as noted by the wire services, he pointedly refrained from pressing West Germany and Japan on the noxious issue of reflation; U.S. Secretary of the Treasury W. Michael Blumenthal has repeatedly stated he is prepared to let the dollar fall where it will until the Europeans blow their own currencies equally full of hot air.

Second, the U.S. delegation has decided not to ask for the renewal of the "Basel Agreement" between the Group of 10 central banks plus the International Monetary Fund, Switzerland, and Portugal, limiting central bank gold trading. If the agreement, which limits the group as a totality from acquiring more than the 31,351 metric tons of gold they held on August 31, 1975, expires, central banks will be free to stabilize the gold markets as required under the Luxembourg plan. Even if the agreement is extended, central bank intervention is still possible, since IMF gold sales etc. have depleted the current joint holdings to 422 tons below the ceiling — or close to 30 percent of the world's annual new gold supply.

What It Looked Like

The dollar fluctuated erratically this week during any given day as a direct political response to the latest wire story out of Basel. But on the week as a whole as of Friday, coordinated Bundesbank and Federal Reserve intervention pulled the U.S. fund up from 2.10 Deutschmark at the close Friday, Jan. 6 to 2.13 DM at today's close, Jan. 12.

A typical day on the politicized markets ran something like this. Early this morning in Europe, the dollar hit a low for the week of 2.0975 DM as London-based rumors of the "collapse" of the Basel meeting spread through the markets. Basel "failed to come to grips with the dollar, failed to satisfy the markets," London traders were quoted as saying. Rather than coming docilely right at the New York market opening as expected, the Fed waited until later trading — and came in so hard that the dollar was pushed up above the 2.13 DM rate. Similarly, yesterday the Bundesbank waited for European speculators to go out on a limb and then hit them with a \$250 million intervention.

It will take a real U.S. export policy, however, to stop the dollar crunch for more than a few weeks.

—Kathy Burdman

Europeans Speak Up For Dollar

Dow Jones, Jan. 11:

Swiss National Bank president Fritz Leutwiler who met with other central bankers in Basel Monday and yesterday said "The discussions were harmonious, very constructive, and showed progress."

Leutwiler said the fall of the dollar cannot be "rationally explained," and contradicts the view held by central bankers that among all industrial countries, "the U.S. has the most favorable economic development and

also the best prospects for the near and long-term."

Leutwiler said the participants welcomed the "already introduced" measures of the U.S. to support its currency. He added that statements by the U.S. team led by Federal Reserve Board Chairman Arthur Burns showed that the U.S. had realized the seriousness of the foreign exchange situation.

Journal of Commerce, Jan. 12:

Reports that the meeting in Basel of central bankers failed to agree on anything substantive to stem the sharp decline of the dollar are patently false, Fritz Leutwiler, president of the Swiss National Bank declared here Wednesday...

"Under the leadership of Arthur Burns, the American delegation showed that it takes the fall of the U.S. currency as a very serious matter and that they do not want to see the dollar weaken any further on world money markets," Mr. Leutwiler declared...

The latest decline in the dollar has no fundamental reason behind it, he added. He also cited the declaration by the Bank for International Settlements that growth outlook for the U.S. economy is among the best in the industrialized world, while the situation in the countries with hard currencies has deteriorated.

"If the dollar continues to behave the way it has in foreign exchange markets I shudder to think of where the industrial nations will be six months from now," Dr. Mast (Dr. Hans Mast, economist of the Swiss Credit Bank) said. "And Switzerland, of course, is so dependent on what happens internationally."

Barrons, Jan 9:

Much of the bullishness in gold this new year stems from the thought that fabricators and investors will be joined by a new class of buyers during 1978, namely, central banks (*Barron's*, Oct. 10, 1977). For most of the past decade, central banks have been out of the market, because they were pledged to deal in gold only at the fictional "official price" of \$42 an ounce. Besides, the central banks of the so-called Group of Ten (the leading capitalist nations) had agreed not to increase their net holdings of bullion. That agreement expires next month and might not be renewed. As for the pledge to trade at the official price, an amendment of the IMF rules, which is expected to be ratified in coming months, will once again allow central banks to deal in the free market....

However, all but the poorest central banks today are flush with dollar balances that they do not want, because the world is being flooded with greenbacks churned out by U.S. inflation and the U.S. trade deficit. In these circumstances, central bankers are not likely to sell bullion to acquire still more dollars. They are likelier to use the surfeit of dollars to buy gold. After all, they can always revalue their gold holdings and borrow against them.

Nations which have immense dollar balances and would like to increase the gold content of their reserves include Japan, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates. None is likely to dump dollars to the point of incurring Washington's displeasure, but they could argue that it was simple prudence to do what all

other central banks do, namely, hold some reserves in bullion. London bullion dealers, while conceding that it is impossible to predict how 100 central banks will use their new freedom, forecast that, as a group, they will not be net sellers. They are more likely to provide steady support for a rising gold price....

Treasury's Sour Grapes

The following is an interview with a U.S. State Department official last week:

Q: What is the status of the Basel Agreement negotiated two years ago in which the major central banks limited their gold operations?

A: The agreement expires Jan. 31 and if it is to be renewed must be renewed at this week's Bank for International Settlements meeting. The U.S. is not pushing for renewal.

Q: But the U.S. imposed the agreement in the first place. Does this reflect pressure by European governments who want to trade freely in gold?

A: Maybe we don't want to rock the boat.

Q: If the agreement is not renewed, will central banks stabilize the gold market?

A: They will trade more freely at market prices and it should have that effect.

Yamani Suggests Tying Oil To Basket of Currencies

Saudi Arabia's Oil Minister Yamani granted an interview to the French business daily Les Echos, Jan. 11 at the conclusion of French Industry Minister Monory's visit to Saudi Arabia, excerpts of which appear below:

Q: Is the fall of the dollar having a baneful effect?

A: We do suffer from the fall of the dollar. It means heavy financial losses for us. We are deeply concerned about it. We raised that problem in the OPEC Economic Commission. At one point we thought of determining oil prices based on a basket of currencies rather than to the

dollar. It is not excluded that we implement such a formula in the future. Our study of the question will be completed by the next OPEC conference which takes place in Lagos, Nigeria, in June.

London Rumor Mill

Dow Jones, Jan. 11:

The dollar fell sharply against the main trading currencies in hectic dealings indicating that central banks in Europe and the New York Federal Reserve Bank have failed to come to grips with the dollar crisis.

The New York Federal Reserve Bank in particular is being strongly criticized by European foreign exchange dealers about its handling of the new U.S. policy of more active intervention. Dealers in Europe said the Fed hasn't satisfied the market's desire for forceful and aggressive action. "This isn't the time to be discreet" as one dealer put it.... The Swiss National Bank became particularly concerned and hastily issued a rebuttal.

Swiss National Bank President Fritz Leutwiler said the report of a "failure" was "completely inaccurate."...

However, according to an informed U.S. source in Europe, Leutwiler's comments overlooked a split in opinion among banking authorities over West Germany's reflationary efforts. It was stressed that the Carter Administration continues to believe the West German efforts have been "inadequate."

New York Times, Jan. 9:

Renewed selling put the American currency on the defensive again last week. It was apparently related to a belief that the intervention measures announced in Washington Wednesday could not be effectively employed.

"A decision to support actively the United States dollar does not alter the fundamentals," the (London — ed.) advisory service Forex Research Ltd. declared in a special report. The currency "is likely to slip further" before recovering somewhat in the second half of the year, it is predicted....

U.S. Must Remonetize Gold Reserves

The following statement was issued by the U.S. Labor Party Jan. 10. It was written by David Goldman, USLP Director of Financial Intelligence:

America's allies and friends among the major industrial countries have made us an offer — as of this week's meeting of central bankers in Basel, Switzerland — which this country must accept. At the Basel meeting, the chief central bankers of West Germany, Switzerland, and France informed outgoing U.S. Federal Reserve Chairman Arthur Burns that they are prepared to use their massive gold reserves as the fulcrum for a general restabilization of the world currency situation.

They have given the United States the chance to peg

the dollar back to gold, as the first step toward launching a new round of hard-commodity credits for international trade, with a hard dollar as vehicle currency.

In essence, this is what America's allies told Fed Chairman Burns: The situation is of the most extreme gravity. Your interest-rate juggling and other measures to support the dollar are miserably inadequate even in the short-run. If the United States refuses the responsibility of managing the world's reserve currency, Europe (and Japan) will exchange their surplus dollars for gold, and create the core-group of a new gold-based monetary system.

Europe will present a gold system to the United States as an accomplished fact.

What this means, in bread-and-butter economic terms, is extremely specific. Western Europe, seeking support from Japan, plans the *political reorganization* of international trade on a hard-commodity footing. This includes a political takeover of international credit flows for hard-commodity trade and investment flows, and the deliberate sinking of the speculative City of London markets. Rather than permit the flight of capital from the dollar to become London's play-thing, Western Europe will create a gold-based alternative market — and compel the United States to come in.

Acting together, the European central banks have the combined muscle to force the relocation of scores of billions of Eurocurrency deposits out of London and into the Luxembourg market. The Luxembourg project, originally conceived by the murdered West German humanist financier Jürgen Ponto, now has the committed backing of French and West German bankers, and a plurality of Swiss financiers.

The Luxembourg plan combines the centralization of European gold and money markets; the European banks will assemble the gold-reserve base for international lending, plus the capital basis for a new wave of lending to the Third World, the Soviet sector, and other markets for advanced-sector capital goods.

To guarantee Luxembourg's success in the very short run, the central banks will intervene on the gold markets to stabilize the "free market" price of the metal, at a price approximating the present \$170 per troy ounce. At the time of the August, 1971 debacle, when the U.S. stopped paying out gold to foreign dollar-holders and puffed the mass of offshore dollars into a monetary Frankenstein monster, the Europeans lacked the political impetus to correct the mess. In particular, they cowered before Henry Kissinger's London-inspired terror tactics, designed to keep both the United States and Europe bound to the speculative rule of the London-centered Eurodollar market. Now the Europeans have had enough.

The Jan. 31 expiration of the "Basel agreement," a two-year moratorium on central bank purchases of gold, gives the Europeans suitable legal cover for immediate action.

Within days, European central bank action to restore a stable gold price and related agreement to settle central bank accounts in gold, could wipe the City of London off the face of the earth. Sterling's \$20 billion boom during 1977 drew on no economic activity, only the chaos in dollar markets. England, which never had the industrial capacity to run a trade surplus under the pre-1971 gold exchange standard, never accumulated significant gold reserves. The City could not compete with a hard-commodity alternative for a single trading day; all its destabilization efforts against the dollar will only enhance the leverage of London's enemies, if Europe proceeds as planned.

How the United States Gets In

New monetary systems are not created by the drying ink on central bank declarations. Political forces establish monetary systems by dictating conditions of invest-

ment to private holders of capital. That is precisely what Alexander Hamilton did through the founding of the Bank of the United States, which compelled American holders of capital to accept the obligations of the Federal government as the single means of circulating credit. On the reverse side, London political forces began the attack on the integrity of the dollar by persuading the Kennedy and Johnson Administrations to permit the massive buildup of offshore dollar accounts outside of strict U.S. government control. The buildup of offshore dollars, subject to British manipulation, created the 1971 crisis, and the mortal crisis the United States faces at present.

Concretely, the Europeans have given us a golden opportunity to place the mass of international funds under the cooperative control of the Federal government and allied Republics abroad. The underlying economic content of this offer is the same as the economic basis of the Luxembourg project: divert international credit flows out of speculation and into trade.

Gold backing for credit is an internationally valid guarantee that the issuance of credit will be restricted to real productive uses.

If the United States revalues its gold stock, worth about \$50 billion at current market price, we will give the world a political guarantee that the reserve-currency role of the dollar will return to that of the 1950s, an agency of international trade and development. Accountants will become hysterical at the thought of returning the dollar to gold, whining — as does Lazard Freres' Albert Hettinger — that U.S. official liabilities to foreigners are four times our potential gold stocks of \$50 billion. Such whining should be ignored. We have spelled out in detail — and leading European circles fully agree — how the mass of official liabilities, the result of British-inspired neglect for the dollar, must be dealt with. Through the Export-Import Bank of the United States, the U.S. can transform these liabilities into trade credits for American industry, paying our debts abroad with hard American goods, and creating jobs at home. Under such a policy of bringing international liquidity to the requirements of sovereign republics, rather than the masters of manipulation in London, the dollar will quickly become the world's hardest currency.

Re-pegging the dollar to gold ensures the hard-commodity character of dollar lending.

As an interim measure, the Export-Import Bank of the United States has statutory powers to join European central bank operations in the gold market. By trading in bullion, the Eximbank could join efforts to restabilize the gold price, and denominate loans and deposits according to the dollar price of gold. By doing so, the Eximbank could obtain deposits at vastly lower rates of interest than currently prevail. Such operations on the part of Eximbank would establish, in advance, the trade link to a gold-backed dollar.

Should the United States fail to act, there is a trump-card aspect to the Luxembourg plan: the central bank-supported European money market will automatically become the primary source of international trading credits for American corporations! If Europe introduces a hard-commodity monetary alternative, it has the power to organize the U.S. private sector out from under the Carter Administration's nose.

British Asset-Strippers On Buying Spree In U.S.

It's by now common knowledge that the British are on a buying spree in the United States, armed with the overpriced pound sterling. In 1977, the volume of British acquisitions of U.S. firms nearly reached the \$1 billion mark, with bids speeding up after Nov. 1 when the Bank of England allowed the pound to float upward against the dollar. The acquisitions have included sizeable purchases like the Anglo-Dutch Unilever's \$482 million bid for National Starch and Chemical. In addition to the "smashing" bargains to be had, thanks to British-allied Treasury Secretary W. Michael Blumenthal's policy of "malign" neglect of the dollar, City of London-connected investment banks like Lazard Freres and Morgan Stanley—the investment bankers handling the Unilever-National Starch deal — are mopping up the astronomical fees which go with such deals, plus making a killing off stock arbitrage. The stocks of merger and acquisition candidates are about the only stocks which are not collapsing these days.

Acquisitions are only the most visible part of the British invasion, however. In the column excerpted below, Eliot Janeway, the Council on Foreign Relations operative who "predicted" war between Venezuela and Brazil in January, 1977, notes that the British of all people, acting for their own accounts and on behalf of Arab sheiks, whose funds they control, are now the major force in the U.S. stock market. He also notes that the enormous British buying of U.S. Treasury securities in 1977—around \$10 billions worth—could now easily switch over to stock purchases.

British bankers stationed in New York interviewed by EIR certainly think major acquisitions and stock market shopping are in the works. Ed Bernstein, an advisor to the Federal Reserve, the Treasury, and the Bank of England is circulating his "theory" about the relation between currency devaluations and stock market prices. He says that about three months after a currency hits rock bottom and stabilizes, the prices of stocks start rising; six months after that they've moved to their former or higher levels.

"Britain was a good example of this," Bernstein told a New York brokerage house vice president recently. "I'm really encouraged that this is what is going on in the U.S. It depends, of course, on the Administration's willingness to fight. We need tough decisions. The whole country has to bite the bullet. We're going to have to all sacrifice with higher prices for gas and oil."

One of the ways the British are ingratiating themselves in the U.S. is by telling U.S. businessmen and bankers that British investment will fill in the gap left by the absence of new capital investment by debt-strapped and credit-starved U.S. corporations. "It doesn't matter who invests, does it," says one British banker.

And Americans, unfortunately, are falling for this line. In a recent interview with EIR an Atlanta investment banker disputed the existence of a City of London operation to gain greater political and financial control of the U.S. As evidence of London's confidence in the U.S. dollar, he rattled off a long list of recent British

acquisitions in the Southeast and moves by the U.S. branches of British investment houses like J. Schroders Wagg to increase their capitalization in the U.S. to better position themselves to engage in acquisitions.

The announcement by Sir Arnold Weinstock, chairman of Britain's General Electric Co., in December that he was opening a California office to seek out U.S. acquisitions should serve as a warning that it indeed does matter who invests in the U.S. Weinstock is infamous even in Britain as an "asset stripper"—the quaint phrase coined in Britain in the 1960s to describe the species of financier-industrialist which went around buying up troubled companies cheap and junking what they deemed unprofitable.

Barclays: It's a Bargain

An officer at Barclays Bank Ltd. in New York discusses British plans for acquiring U.S. equity:

Q: Will the recent statement by the Treasury that the U.S. will henceforth actively intervene in the markets in behalf of the dollar and the rise in interest rates here in any way alter British foreign investment plans?

Barclays: We expect the dollar to keep falling. The world hasn't got much confidence in it right now, whatever the U.S. government does... Did you see the Dec. 17 issue of the Economist, "America Going Cheap for Christmas"? That was a great article. You see, it's a bargain here at the moment; the dollar's so cheap.

Q: Do you think there could be a reaction in the U.S. against an influx of foreign investment?

Barclays: It depends upon the color of the money, doesn't it? I don't think they'd be happy if it was all Arab money... But you have to have the investment of surplus accounts (foreign investment by countries in balance of payments surplus—ed.). Why, the British spent their lives doing it in the last century. That's why we own so much of the world!

Besides, the American businessman isn't investing now, and this is a real drag on the economy. We can fill in that gap. It doesn't matter who invests, does it. And if shares are selling at below book value, why should anyone invest to build his own new plant. It's a waste in social terms.

Q: What about investment in heavy industry. Do you think British investors will be looking at U.S. heavy industry this year?

Barclays: Heavy industry is very bad news, isn't it. It's so capital intensive, it needs large slices of government subsidies, it has union troubles—who needs those problems.

The Rothschilds. It's Best To Be Acquired by a British Company

An officer at New Court Securities, the London Rothschild family-owned investment bank, located on Wall Street, explains that the rise in U.S. interest rates is

“a real plus” for British acquisition plans:

Q: Do you expect British acquisitions in the U.S. to be on the up trend in 1978?

New Court: Yes we do. As sterling is valued higher—as is happening—it cuts the effective price of a company for U.K. investors.

Q: What effect will the recent rise in U.S. interest rates have?

New Court: That's a real plus. Many acquisitions are made through parallel loans. If I want to buy a firm over here, I take out a loan from the U.S. firm, and make a matching loan in sterling to his U.K. subsidiary. As the U.S. and U.K. interest rate structures get closer together, it aids this arrangement. Rates are still a bit higher over there... The main reason for parallel loans is getting around Bank of England foreign exchange controls.

Q: The U.S. firms that are being acquired, are they beset with liquidity problems?

New Court: Some are and some aren't. Yes, the need for liquidity is one reason why the firms are agreeable to being acquired. The U.S. firms feel that acquisition by a British company will put them in a better international position. They feel if you have to be acquired, it's best to be acquired by a British company.

London Relief for Wall Street?

Financial consultant Eliot Janeway reports that British investors, acting as agents for Arab accounts, are now the saviors of the U.S. stock market, in his column in The Insiders' Chronicle Jan. 12:

The stock market has certainly suffered its fair share of trouble in recent years. The latest blight to have hit it is the backlash from the dollar crisis; this has scared would be stock buyers in Germany, Switzerland, Japan

and other financially strong countries out of buying the dollars needed to buy stocks...

Suddenly, however, the Street has been granted a reprieve. A new source of stimulus has started to produce buyers from the unlikeliest of places: the U.K. Wall Street had seen no buying from London and Edinburgh for a full decade. When the sterling crisis hit in the late 1960s, the Bank of England's first countermeasure was to stiffen the penalties on the continued flow of money out of the U.K. into U.S. stocks and other non-sterling assets. These penalties were made particularly harsh by a crackdown against switching from one U.S. security to another. U.K. investors who sold any holding were obliged to turn the dollar proceeds over to the Bank of England and to pay the same penalty all over again on any reinvestment.

The dramatic improvement in sterling's fortunes in recent months has persuaded the Bank of England to drop this penalty. Judging from the rate at which Arab money is flowing into London, there's no longer any reason for the Old Lady of Threadneedle Street to decree the wearing of hair shirts for her customers in the City of London. Last year alone, thanks to Arab largesse, British buying of U.S. Treasury securities came to around \$10 billion.

If foreign buyers operating through sterling were willing to buy U.S. Treasury securities on this prodigious scale, there was no doubt that they would be just as willing to buy stocks. Every fully outfitted sheik has at least one British man of business to go with each billion. In fact, the new game in London today is to identify British investors by the oil money they represent.

Britain's decision to remove the obstacle in the way of U.K. buying of U.S. securities could not have been better timed for Wall Street. The thinness of the stock market, resulting from the departure of the public, left it susceptible to any rush of new buying. Though the Street had been wrong in its anticipation of foreign buying from strong currency countries, it got a much needed, though temporary, lift from the U.K. As things worked out, London's relaxation was New York's reprieve.

Eximbank Hearings Open Fight For U.S. Export Expansion

Congressional hearings scheduled for February on the renewal of the U.S. Export-Import Bank's charter have developed into a national fight to expand the bank into a major support system for stepped-up U.S. exports, as the only economic way to turn the battered U.S. dollar into a hard-commodity currency. Pro-bank hearings have been scheduled by U.S. Senator Adlai Stevenson III (D-Ill.) beginning Feb. 6, and will cover the entire range of issues pertinent to launching a drive for, in particular, high-technology exports. These hearings will offer a public forum for widespread agitation in the U.S. industrial and banking community in favor of the Eximbank — much of which is based on the U.S. Labor Party's proposal for large-scale expansion of the bank's credit-lending facilities.

America's European and Japanese allies, meanwhile, have begun to demand that the U.S. move on the Eximbank export issue, at the same time renewing their demands made at the Bank for International Settlements this week that the U.S. dollar be supported at all costs.

Stevenson Hearings Breakthrough

Senator Stevenson's proposed hearings, described in the press release from his office reprinted below, go far beyond routine hearings due to be held at the time of the expiration of the bank's charter next September, for which Senator Stevenson's Subcommittee on International Finance of the Senate Banking Committee has jurisdiction. No less than six sets of hearings are planned on the following topics:

*Feb. 6: The first hearing will focus on the destructive effects of the dollar crisis on world trade, discussing effective defense of the dollar via aggressive export programs.

*Feb. 23: The second hearing will examine U.S. export market composition and the deleterious effect of the U.S. export decline on U.S. jobs.

*The Feb. 27 hearing will compare U.S. government support for exports to those of our European and Japanese allies, and likely call for the vast gap to be bridged.

*Further hearings on March 13, 14, 20, 21, and possibly more, will focus on the functions of the U.S. Eximbank in particular and how well it is promoting U.S. exports.

*A fifth set of hearings, as yet unscheduled, will examine the effect of energy, fiscal, monetary, etc. policies on U.S. exports.

*A sixth unscheduled set of hearings will focus on how to increase U.S. high-technology exports in particular.

The Rundown

The Stevenson hearings are only the tip of the iceberg of U.S. industrial corporations' strong support for an

export drive. Fortune 500 corporations and banks in Chicago and other areas of Stevenson's constituency, especially politically conscious firms in organized trade associations, have had direct input in defining the scope of Stevenson's hearings — many after seeing U.S. Labor Party material on the potential role of the Eximbank in such a drive.

Major corporations and banks nationally are mobilizing their Washington political offices especially for the hearings. They are concerned in particular to halt the dangerous efforts of zero-growthers in Congress and in the AFL-CIO who are trying to cut back even the present ground-zero level of U.S. Eximbank operations. Indications are that counter hearings to Stevenson's will be held Feb. 9 by Congressman Neal, who is in charge of the House Subcommittee on International Finance of the House Banking Committee, the authorizing committee on the House side. The Neal hearings will bring in a full range of anti-Eximbank testimony, including the following possibilities:

*Congressman Clarence Long will call for a strict ceiling on Eximbank financing of all nuclear-related exports;

*Congressman Harkin will demand addition of numerous restrictive "human rights" riders to the Eximbank charter, which would dangerously exclude countries most in need of U.S. technology;

*AFL-CIO chief Washington legal aide Andrew Bie-miller will insist on full cutoff of government funding to the Eximbank, which is supposed to be self-supporting, on the grounds that U.S. companies export jobs when they export technology.

*Neal himself intends, according to congressional sources, to open a full debate on the "contradictions" in the current wording of the Eximbank charter, which stipulates that while the bank must help U.S. companies compete with foreign exporters, all of whom receive government assistance, the bank must work toward financial self-sufficiency. Neal insists the U.S. must not give assistance. That is, a major attempt will be made to limit expansion of the bank by threatening U.S. corporations with a Watergating on the spurious "government handouts" charge if they attempt to fight for an aggressive extension of Eximbank lending.

Obviously the Stevenson hearings have been arranged to deal with this. Moreover, U.S. industrial lobbyists in Washington interviewed this week have indicated they are ready to fight at Neal's hearings as well for more than just maintenance of the Eximbank's current functions. One representative of a major electrical corporation said today, "Look, we led the fight back in 1974 when Senator Jackson and the other authors of the

Jackson-Vanick (which truncated the Eximbank's ability to finance East-West trade—ed) tried to shut down the bank. We saved the bank." The same circles last November organized a meeting of over 50 top U.S. manufacturing corporations to let Congressman Neal know exactly how U.S. industry feels about the Eximbank's important role. They demanded the U.S. support lower interest rates, higher credit ceilings, and a faster response to requests for credits, without which many contracts would be lost to foreign companies.

Significantly, U.S. Labor Party proposals for qualitative expansion of the bank are sparking a new drive for quadrupling or more of the Eximbank's current lending, which last year reached, adding all amounts of exports financed, only a measly \$9 billion. Two corporations contacted so far have, on the basis of U.S. Labor Party proposals, begun active consideration of such a shift, while one major industry association in Washington is lobbying for expansion of the Eximbank's utilization of Eurodollar deposits, Eurobonds, and other methods of raising large amounts of capital quickly for major expansion efforts for the bank.

The bank itself, in fact, issued a report to Congress Jan. 10 which expressed great dismay with its own performance relative to institutions in Europe and Japan. The report complained that the U.S. "lags behind" our allies, citing figures that France is doing close to \$40 billion annually in government-backed exports; Japan \$35 billion; and so on. The U.S. is only in fifth or sixth place.

Sen. Stevenson Calls Export Hearings

The following is the statement issued on Jan. 10 by Illinois Senator Adlai Stevenson III, announcing his scheduling of a series of Senate subcommittee hearings on the future of the Eximbank and U.S. export policy.

U.S. trade has been buffeted by swift and powerful shifts in the international economy: oil prices have quadrupled; international debt has increased five-fold; currency values have fluctuated wildly; and aggressive and sometimes unfair trade competition has distorted markets and called forth the specter of protectionism.

U.S. exporting industries and U.S. government policy have yet to adapt to these structural changes. Burgeoning imports have rapidly outpaced U.S. exports, resulting in a sudden explosion in our trade deficit, which for the past year was approximately \$27 billion. Following this trend, the dollar has depreciated significantly against other major trading currencies — during 1977, the dollar fell 12 percent against the German mark, 13 percent against the British pound, 18 percent against the Japanese yen, and 21 percent against the Swiss franc. Recently, the dollar came under speculative attack resulting in U.S. intervention on a scale unprecedented since the float of the dollar.

The purpose of the hearings is to examine the competitiveness of U.S. exports and explore ways to close the trade gap through better U.S. export performance. There is a growing concern that our trade imbalance may stubbornly persist, that many of our key industries are losing their competitive edge in world markets, and that U.S. policies and programs designed to further exports are woefully inadequate. Neglect of these problems will lead to serious consequences for domestic production and employment. One out of seven jobs nationally, and one out of six in Illinois, the nation's leading export state, result directly or indirectly from the production of goods and services for export. While U.S. dependence upon exports is apparent and growing, the answers to U.S. export problems are neither obvious nor easy. Thorough oversight hearings can provide the groundwork for needed improvements in U.S. export policies.

NAACP: Nuclear Power Required To Meet The Nation's Future Needs

On Jan. 8, the National Association for the Advancement of Colored People (NAACP) opened its campaign to pressure the Carter Administration to abandon its plan for energy cutbacks and proceed with the development of nuclear and coal resources as the first step in solving the nation's economic problems.

In an interview with the Detroit News, Dr. Margaret Bush Wilson, chairman of the NAACP's Board of Directors, was emphatic: "For many years, we have been encouraged to believe that a significant percentage of our total energy requirements of the future would be supplied from nuclear power. (The Carter Administration's) National Energy Plan, however, seems to call for a retreat from nuclear energy on the basis that the environmental and safety costs may be too high... The fact is that nuclear power will be required to meet our future needs... If we do not move ahead now," she con-

cluded, "...the next generation is likely to be sitting around in the dark blaming the utilities for not doing something this generation's officials would not let them do."

Wilson's statement is based on the Report of the NAACP National Energy Conference (excerpted below), held in November in Washington, D.C. and is a strong statement to U.S. industrialists and trade unionists that the black population is not a sewn-up constituency for the "liberal" policies of Senator Hubert Humphrey and Vice-President Walter Mondale, despite the public utterances to the contrary.

At the NAACP National Conference on Energy, where the U.S. Labor Party circulated its energy resolution and telegrams urging the association to break from Carter's energy and jobs program, the participants concluded that any conservation policy would condemn black and

working populations to increasing unemployment and poverty.

The NAACP sent its alternative energy plan to the White House which, according to the Detroit News, handed it over to Energy Secretary James Schlesinger and was never heard of again. This week, the NAACP released its report to Congress.

Capitol Hill reaction has been mixed. One top industry spokesman was ecstatic: "This could put the breeder (nuclear fission reactor—ed.) over the top." Aides to key Republican Senate leaders were "impressed" by the statement while members of the Republican National Committee were embarrassed. Their embarrassment results from the fact that party chairman William Brock promulgated the line that the way for the Republican Party to appeal to blacks is through the heart of Chicago poverty pimp Jesse Jackson, whom Brock invited to address the party's national committee meeting next month.

To challenge Brock's misinformation, a number of NAACP spokesmen and leaders have evidenced strong

support for expanding industrial growth. The Jan. 11 Washington Post covers the release and circulation of the NAACP's energy policy by quoting NAACP board member James Stewart. Stewart, formerly an assistant to the vice-president of the Oklahoma National Gas Company said, "It is confusing to people to say we are supporting the aims of industry...It (the statement) is pro-jobs for black people...We can't get any more jobs through conservation." Stewart made it clear that NAACP executive director Benjamin Hooks, once appointed to the Federal Communications Commission by Richard Nixon, had shared major input in outlining the organization's energy policy with Andrew Brimmer, a former member of the Federal Reserve Board.

The Wall Street Journal welcomed the statement, reprinting in full the document on their editorial page accompanied by their own editorial "The NAACP Turns A Corner" calling it a "document of major political and social significance." The New York Times headlined otherwise accurate coverage of the statement, "NAACP Takes Side of the Oil Industry in Energy Struggle."

Report Of The NAACP National Energy Conference

The National Association for the Advancement of Colored People has for many years been dedicated to the task of defending the economic, social and political rights and interests of Black Americans. The growing national debate about energy has led us to examine this question to ascertain the implications for Black Americans. In an effort to gain a better understanding of the energy problem, the National Board of the NAACP convened a Conference on Energy in Washington, D.C., November 18 and 19, 1977. Leaders of our organization at all levels from every area of the country came together, exchanged ideas among themselves and listened to experts on the subject from government, industry and public interest groups.

We are convinced that the nation faces a serious energy problem. The evidence is overwhelming that the primary fuels that supply our homes, factories, farms, transportation systems and commercial establishments are rising in cost at an alarming rate. It is also clear that our ability to supply the demand for oil and natural gas from domestic sources is diminishing while the level of imports of these fuels continues to grow. At the same time there appears to be a myriad of governmental constraints on the production and use of coal, our most abundant domestic fuel resource, and nuclear power. Efforts to develop alternative sources of energy are confronted with severe problems of raising the necessary capital in light of the many uncertainties regarding governmental policies.

Since the early 1960's gains have been made toward bringing the nation's Black Citizens into the mainstream of American Economic Life. This has occurred largely during a period of expansion in the economy which created new opportunities for jobs. However, a great

deal more remains to be done. We still have tremendous unmet social and economic needs. The unemployment rate in the Black community is still twice the national rate. Perhaps more importantly, unemployment among Black teenagers ranges up to 50 percent. Over the next 15 years we must undertake to rebuild and revitalize our cities and urban areas where a very high percentage of Black people live. We need to revamp urban and inter-urban transportation systems to facilitate urban dwellers' access to places of employment. An abundant energy supply will be necessary if we are to have any chance to meet these challenges.

We note the historic direct correlation between the level of economic activity and energy availability and consumption. Energy supply development throughout our nation's history has been critically important to economic growth. We find it very disturbing to contemplate a future in which energy supply would become a constraint upon our ability to solve these critically important social and economic problems which confront Black Citizens.

We have examined the Administration's National Energy Plan in the light of the agenda for economic growth and development for America's Black people. What we see in the plan is an emphasis on conservation, and a reduction in the growth of total energy demand and consumption. The Plan basically takes a pessimistic attitude toward energy supplies for the future. It seems to make the basic assumptions that (1) we will run out of all primary fuels, except coal, relatively soon and (2) essentially nothing can be done to substantially increase or even to maintain existing production rates for oil and natural gas. This emphasis cannot satisfy the fundamental requirements of a society of expanding economic opportunities.

We think there must be a more vigorous approach to supply expansion and to the development of new supply technologies so that energy itself will not become a long-term constraint, but instead can continue to expedite economic growth and development in the future. All alternative energy sources should be developed and utilized. Nuclear power, including the breeder, must be vigorously pursued because it will be an essential part of the total fuel mix necessary to sustain an expanding economy. Other alternative sources, such as solar, geothermal, biomass, tidal, oil shale and synthetic fuels from coal must also be developed and made commercially available at the earliest possible time. A more positive attitude by the Administration toward supply development is extremely important because future developments will be largely determined by the policy choices being made now by the Administration and the Congress.

While we endorse the Plan's objectives of eliminating energy waste and to improve utilization efficiency, we cannot accept the notion that our people are best served by a policy based upon the inevitability of energy shortage and the need for government to allocate an ever diminishing supply among competing interests. Those aspects of the Plan which would perpetuate price controls on newly discovered oil and natural gas and extend those controls to new areas appear to us to be incompatible with the need for new supply development. We also believe that many of the prohibitions proposed with respect to the industrial use of oil and natural gas will force the closing of many job-producing industries in urban areas and cause a massive shift of industries away from areas where most Black people live and work.

We recognize there is disagreement as to whether the Plan does in fact offer more incentives for new supply development. However, we are impressed with the conclusion reached by the Comptroller General of the United States in his evaluation of the NEP:

"... (T)he plan's incentives are not greater than those which would be available if existing policy were continued through 1985...."

"Also, the Plan will reduce revenues to producers for most oil already discovered and may adversely affect oil companies' financial ability to support additional exploration. By not increasing the financial incentives for additional exploration and by reducing companies' financial strength, the Plan fails to come to grips with the problem of increasing domestic crude oil production."

For many years we have been encouraged to believe that a significant percentage of our total energy requirements of the future would be supplied from nuclear power. The National Energy Plan, however, seems to call for a retreat from nuclear energy on the basis that the environmental and safety costs may be too high. The NAACP too is concerned about environmental and safety matters. But as long as fourteen percent of our people are unemployed, as long as the earnings gap between Black and White Americans continues to widen and as long as a majority of Black Americans continue to face a constant struggle to attain even the basic necessities of life, our first priority must be the attainment of economic parity for Black Americans. We are fearful that an energy policy with an overriding concern for the protection of the environment may cause governmental

policy-makers in this area to lose sight of other more compelling economic and social objectives that are more important to Black Americans. The basic approach of the Plan as relates to energy supply reflects the absence of a Black Perspective in its development.

We recognize that nuclear power does present certain problems. But we think these problems can be solved through dedicated efforts by government, the scientific community and industry working cooperatively together. Notwithstanding the claims of opponents of this source of energy, the fact is that nuclear power will be required to meet our future needs for electricity. If we do not move ahead now with nuclear, the next generation is likely to be sitting around in the dark blaming the utilities for not doing something this generation's officials would not let them do.

The National Energy Plan proposes sharp increases in the cost of oil, natural gas and gasoline through a complex system of new taxes. Domestically produced crude oil would be taxed an amount equal to the difference (in 1980) between the federally controlled price and the world oil price. In addition a tax on the industrial use of oil and natural gas would be imposed that could reach \$3.00 per barrel by 1985. Over the next five years these taxes have been estimated to produce new government revenues of over \$50 billion, which make the "Energy Plan" of the largest tax increase bills in history. A major portion of these new taxes would be passed on to consumers in the form of higher prices not only for energy products but also for other goods and services. To mitigate the adverse effects on the economy, the Plan does provide for tax rebates to the public and other tax credits. It is estimated that the per capita tax rebates flowing from the crude oil equalization tax in 1978 would range somewhere between \$15 and \$22.

As we understand it the new energy taxes are proposed for new purposes of (1) encouraging energy conservation by making energy more expensive (2) creating incentives for industry to shift from so-called scarce fuels to coal and (3) making oil and natural gas prices roughly equal to their current value in world markets.

For the great majority of people the NAACP represents, the cost of energy today is sufficiently high to discourage any unnecessary use. They have borne the brunt of the four-fold increase in the price of natural gas and skyrocketing increases in electric utility bills since 1973. Even without new energy taxes, we have every reason to believe energy prices will continue to rise at a faster rate than prices for other goods and services for the foreseeable future. This will certainly come about as the percentage of total energy supplies from newer, more expensive sources increases.

If energy prices are to be raised artificially through the mechanism of taxes, a major portion of the new revenues should be used to develop new energy supply, particularly from nonconventional sources such as coal gasification and liquefaction, oil shale, solar etc. Putting the funds to such uses appear to us to be much more desirable in terms of the objective of reducing dependence on imported energy than distributing token payments to the general public.

The NAACP, therefore, concludes that there are serious deficiencies in the National Energy Plan as

proposed. We recognize that the Congress is now in the process of making certain changes and that the final energy policy that evolves must reflect an accommodation of differing views. This statement of our views will be communicated to the Members of Congress and others who may have an impact on the final outcome of this extremely important policy issue.

Finally, we view with alarm the fact that nowhere in the President's proposals on energy; the joint House and Senate conferees deliberations; nor the action of Energy Secretary James Schlesinger himself does there exist evidence of input from America's minority community in both policy-making and employment opportunities.

To avoid the deleterious impacts of our emerging energy policy on future generations of Americans whom we of the NAACP represent, we call on President Carter, the Congress, Secretary Schlesinger, various regulatory governmental units, industry, and where need be those persons in the private sector, to encourage and seek out increased minority participation on all levels in our emerging energy policy.

Wall Street Journal:

NAACP Turns A Corner

The *Wall Street Journal* had this to say about the NAACP's energy policy:

In nearby columns we reprint a document of major political and social significance, the report of the NAACP's National Energy Conference. The report withdraws any semblance of NAACP support for President Carter's energy policy and instead calls for the deregulation of oil and gas prices and more emphasis on nuclear power.

Announcement of this policy shift by the leading black organization is important if only because it adds another cloud of doom for the President's energy approach, which is hanging by its fingernails on Capitol Hill. But far more significant is that for the first time in memory the NAACP has sided emphatically with the free-marketers

instead of the interventionists on a major question of public policy.

The energy report could of course amount to a once-and-only diversion into market capitalism, but we suspect it is a symptom of a new stage in the NAACP's fight for racial equality....

This report has apparently been traveling around Washington for several weeks, passing around the administration like a hot potato before it finally surfaced last Sunday in the *Detroit News*....

It is hardly remarkable that the NAACP is eager for economic expansion, having identified the last real expansion of the early 1960s as the period of the most marked gains to the nation's blacks. But until this energy report, the organization has been systematically biased in favor of government solutions to economic stagnation. The thinking of at least those now in control of the organization seems clearly to have drifted from the usual tax-and-spend answers embodied in, for example, the Humphrey-Hawkins jobs bill.

Which is not to say that the NAACP can now be expected to turn systematically away from government solutions. There is no indication the organization has diminished its enthusiasm for redistribution programs by the government. But the tenor of the energy report is unabashed in its embrace of the private sector as the engine of economic growth. Even the endorsement of nuclear power emphasizes not government subsidies but government de-emphasis of environmental and safety barriers to nuclear development, and a more positive approach to solving genuine environmental problems.

The time is about right for the NAACP to turn this corner into the free market. Until very recently, the chief problem it faced in "the advancement of colored people" was official and private racial prejudice that blocked economic advance for blacks even during periods of prosperity. It had no choice but to follow government interventionist policies to break down institutionalized barriers and at the same time it supported income redistribution plans to help those whose progress had been blocked....

The NAACP has put itself out in front...with its energy report, and we can virtually feel the tremors shaking the old political coalitions.

Fence Mending — Won't Do It

President Carter made clear where he stands on energy in his Jan. 12 press conference where he not only reiterated the worn-out fairy tale that the dollar crisis can be solved only through slashing U.S. oil imports but also flatly rejected the NAACP's energy policy recommendations (see report above). Said Carter: "I disagree

sums of money....into the pockets of those who own the major oil companies."

Carter's statement was but one aspect of an international armtwisting campaign launched this week by the British agents of influence in the Administration to force through their no-energy program in the face of steadily mounting opposition. Spearheading this campaign are Energy Secretary James Schlesinger and Vice President Walter Mondale.

For his part, Schlesinger emerged from a meeting with Carter Jan. 8, where they discussed the President's just-completed global tour, ominously warning that the Administration was considering slapping down import quotas on petroleum if Congress failed to adopt the energy program.

THE ADMINISTRATION

with the conclusions the NAACP reached (i.e., that economic development can only be achieved through an aggressive, pro-nuclear energy production perspective — ed.), that the way to do that was to channel enormous

Following his meeting with the President, Schlesinger flew to the West Coast to discuss a "compromise" on the deadlocked natural gas pricing and energy tax issues with Senate Energy Committee chairman Henry Jackson (D-Wash.), and then took off for Saudi Arabia for the purpose of blackmailing the Saudis into endorsing the Carter-Schlesinger energy plan.

Mondale, meanwhile, was circling through the West and Southwest on what was billed as an effort to mollify that region's tremendous dissatisfaction with Carter Administration policies, especially regarding water and land-use. However, on his first stop in Albuquerque, N.M., Mondale met with Indian tribal leaders and vowed that the Administration would support their opposition to supposed oil company "exploitation" of their territorial mineral resources. The Vice President thereby not only put the Administration's stamp of approval on the bogus "Indian rights" movement, but also, as the *Washington Post* gleefully pointed out Jan. 11, "took a stand that could alienate many of the voters" Mondale had been deployed to pacify. This was by no means the only incident of open Mondale sabotage of Carter; throughout the trip, Fritz took great pains to disassociate himself from the Administration's more unpopular policies while simultaneously trying to pawn himself off as far more sympathetic to the region's problems.

Carter's repudiation of the NAACP energy statement is already being cynically exploited by the same British networks who formulated his energy policy in the first place as a means of "Hooverizing" him out of office and replacing him with their boy Fritz. The *New York Times* is quite open in this respect: after having panned the NAACP statement as the work of the big oil companies in its Jan. 10 issue, the Jan. 13 *Times* played Carter's rejection of the statement as a repudiation of black economic progress in toto!

But the British wrecking operation within the Administration is not going unchallenged. Mondale's role, in

particular, has become so blatant that the Jan. 11 *Detroit News* editorially attacked him as the major obstruction in the White House.

The *Detroit News* editorial is excerpted here:

A 'LOOSE AND GOOEY' CARTER REGIME

If we keep listening to Vice-President Walter Mondale, we'll soon have no convictions left at all.

For example, we had always considered order and efficiency desirable qualities in the presidency. Now we learn from Mondale that true virtue lies in a "loose and goeey" White House operation — which, just incidentally, accurately describes what is going on at the executive end of Pennsylvania Avenue.

Mondale offered his remarks on good government in a recent TV interview when asked to comment on Mr. Carter's failure to direct the deliberations of his senior staff.

(As one insider explains, staff members work by intuition and instinct — like a close-knit herd of buffalo — rather than by direction and "end up some way or the other coordinating usually.")

Said Mondale:

"You know democracy just doesn't live very well with a dominant single staff person, or should it. It's got to be kind of loose and goeey so that all these thoughts and ideas come in."

Loosely and gooiily put, Mr. Vice-President!

Now we understand a little better why this administration resembles a headless horseman riding off in all directions; why members of the same team assigned to the same project — such as the energy program — frequently find themselves working at cross-purposes; why both labor and business feel deceived; why both the farms and the cities are in revolt; why the President's purest desires somehow get translated into carnal lusts: it's all the product of Mr. Carter's struggle toward democratic decisions loosely and gooiily made....

The Eximbank, The Federal Reserve And The Dollar Crisis

The effect of the Blumenthal-British "hard dollar" defense, plus the appointment of Felix Rohatyn crony William Miller to head the Federal Reserve Bank, has greatly increased the urgency of the Labor Party's proposal to expand the lending ceiling of the U.S. Export-Import Bank. Above all, this proposal must be seen as an *emergency* measure. Combined with executive utilization of the Federal Reserve's powers to provide low-interest credits to failing industries and municipalities, the expansion of the Eximbank will give the U.S. dollar and economy the breathing space in which a coherent Third National Bank policy can be debated and enacted through Congress.

This concept is well understood in Europe, where government representatives this week tried to lift the ceiling of export bank authorizations internationally, in tandem with their discussions in Basel over support for the dollar and moves toward a gold-based monetary system. It must be equally well understood here.

The key to the emergency measures is the fact that the charters of the Eximbank and the Federal Reserve already provide for the appropriate action. In the slightly longer term, full control over national credit must be restored to the Federal government through the combination of Eximbank and Federal Reserve functions into a newly chartered Third National Bank, fully reestablished along Hamiltonian lines.

Changing Eurodollars Into Export Credits

The core of the Eximbank proposal is to expand its lending ceiling, and then use its chartered powers to do a general banking business by attracting the \$450 billions of Eurodollars hot money into long-term development loans. If it receives this kind of congressional mandate, the Eximbank would immediately open a branch in Luxembourg, and begin to absorb funds as deposits for five-year terms. It would begin to take part, as elaborated by its charters, in purchases and sales of gold, thus preparing it to collaborate with those European bankers who are readying a return to the gold standard as a *sine qua non* of a new international monetary system based on expanded trade and technology transfer to the developing sector.

Thus the U.S. government will have to issue *no new credit* in order to support a massive increase in export-development credits. In fact, it will be decreasing inflationary government issues by taking that money out of the hands of those conducting financial warfare against the United States, and backing it with hard-commodity, high-technology production. In this case, George Meany's ravings about how foreign governments issue direct credit to their export banks and how our "free

enterprise" system would be subverted if we competed, are simply hogwash and lies.

Reviving U.S. Industry

The conversion of this currently wasteful and dangerous liquidity into export credits will go a long way to activating the idle capacity and unemployed skilled work force of the United States. The Eximbank is not empowered by its charter to provide loans to U.S. industries who must build new plant and equipment, however, nor can it provide the low-interest loans which are necessary for upgrading education, health care, research and development, and other nonexport, but vital aspects of the U.S. economy. The *emergency* measure necessary to handle this problem is the establishment of a two-tier credit system of the Federal Reserve.

Like the Eximbank, the Federal Reserve has charter provisions which are vital to stopping the destruction of the U.S. and world economy, but are not being used. These provisions allow it to issue low-interest credits on a discriminatory basis to those sectors of the economy whose bankruptcy will destroy U.S. productivity, and to maintain or even raise interest rates for those financial activities which are purely speculative and destructive. This power can be exercised by the executive of the Federal Reserve immediately, as soon as it is assured of sufficient political support throughout the nation. The only immediate sticking point is the nomination of Felix Rohatyn crony and British agent William Miller to Fed director; if his nomination is not confirmed, and he is replaced by someone with the interests of America at heart, these measures can and must go into effect in weeks.

The Third National Bank

If the dollar is not to be reduced further than the 25 percent drop of 1977, if world trade is not to grind to a halt, if the industrial potential of the U.S. is going to be available to save the world from holocaust and war; then the Eximbank and Federal Reserve emergency measures must be implemented. They will not, however, eliminate the need for reestablishing a national bank of the United States.

A national bank is the only coherent way for a country to plan and regulate its long-term economic development. Export policy must be coordinated with long-term investment for entering a nuclear fusion-powered economy, and for rebuilding the cities and skilled labor power of a United States depleted by decades of British-style "fiscal-conservative" austerity. The "independent" Federal Reserve was set up in this country as an institutional means of subverting such a development

policy, and in the longer term its policymaking powers must be brought back under congressional policy control.

A national bank will create new credit — credit backed by real wealth that will allow taxes to be paid, production to be cheapened, and the U.S. to provide the technology, along with the Soviet Union and Western Europe, for a world technological revolution. It will be credit backed by the political will of the American population for scientific human progress, prosperity for its posterity as well as the current generation. The British monetarists are opposed to it now for the same reason it opposed Hamilton's plan 200 years ago: industrial growth will subvert their political and economic stranglehold on the world.

Intensive debate and study of Alexander Hamilton's and the Labor Party's proposals for a national banking system are absolutely essential for the revival of the full

greatness of the American System in the months ahead. Immediately, we must save the U.S. economy through the instruments at hand. This itself will require dealing devastating defeats to the British environmentalists infesting the Carter Administration, as documented below. It will also succeed in immediately turning around high-technology export industries, such as the aerospace industry, as the following study shows.

This action will follow the letter and spirit of the drafters of the Eximbank's 1945 charter: "It is the policy of the United States to foster expansion of exports of goods and related services, thereby contributing to the promotion and maintenance of high levels of employment and real income and to the increased development of the productive resources of the United States."

—Nancy Spannaus
Editor-in-Chief

Environmentalism Lawsuit Threatens Eximbank

Environmentalists have launched a campaign to bypass Congress and destroy the Export-Import Bank administratively. The vanguard of the attack is a lawsuit, *Natural Resources Defense Council and National Audubon Society v Export Import Bank et al.* (Civil Action Number 77-0080), which, if won, would subject every loan agreement or guarantee to the environmental impact statement process including, presumably, environmentalist interventions and lawsuits.

Less public, but equally a part of this environmentalist campaign against American industry is the maneuvering now going on within the White House and the federal bureaucracy. In fact, not since James Rodney Schlesinger's refusal to appeal the *Calvert Cliffs (I)* decision in 1971 while he chaired the Atomic Energy Commission, have the environmentalists gained so much government aid in achieving their goals.

In the White House

On May 24, President Carter empowered his Council on Environmental Quality (CEQ) to issue regulations on the implementation of the National Environmental Policy Act (NEPA), which would be binding on federal agencies. In earlier guidelines, the Council suggested that NEPA be applied to government agency actions, "in the United States, in other countries, and in areas outside the jurisdiction of any country." At that time, the CEQ failed to consult the State Department, as required, on the implications of such a policy. Now a draft of the proposed binding regulations is reported to maintain the same position. On Jan. 6, 1978, the CEQ is holding a conference of "interested agencies" to bludgeon as many federal agencies as possible into supporting their regulations. If the Eximbank, State Department, and other agencies issued formal statements of opposition, the CEQ would find its ability to tie up Eximbank loans hampered.

At present, Eximbank loans are approved six weeks

after application, while an Environmental Impact Statement (EIS) normally requires six to 18 months of preparation.

Even if national sovereignty was not impugned by the EIS process, any other advanced sector country could get an export deal completed in less than one-tenth the time.

The CEQ appears to be acting as the White House office of various environmental organizations. Its three members are experts in environmentalist obstructionism. Chairman Charles Warren was a California state assemblyman who drafted and oversaw the passage of most of that state's environmentalist legislation, including the Nuclear Safeguards Act, which Governor Brown has used to buttress his own zero-growth policies for the state. James Gustave Speth was a cofounder and staff attorney of the Natural Resources Defense Council, which is also a plaintiff in the Eximbank suit. Carter's nominee for the third position on the Council is Marion Edey, founder and chairman of the League of Conservation Voters, was rejected by the Senate committees. However, her nomination has not yet been withdrawn.

If the council's arm-twisting tactics don't lead to environmentalist victory, opening up U.S. trade policy to greenie sabotage — which could be the final blow to a high-technology export program — domestic policy advisor Stuart Eizenstat is scheduled to "mediate." Last spring Mr. Eizenstat stated that the Natural Resources Defense Council's rabidly zero-growth program, *The Unfinished Agenda*, was the guide for Administration policy.

In the State Department

On May 31, the State Department informed the Nuclear Regulatory Commission that in its opinion the National Environmental Policy Act did not apply in foreign territorial jurisdiction and indicated that any efforts to formulate environmental impact statements or permit non-

governmental intervention in export policy decisions would "have major, adverse political consequences." At that time, the State Department felt that the application of NEPA would be construed as a violation of sovereignty.

The State Department has apparently been "convinced" to get out of the fight. A State Department spokesman informed the *Executive Intelligence Review* that CEQ was attempting to work out a "compromise." The compromise is along the same lines the Agency for International Development (AID) used to settle a lawsuit filed against them by the Environmental Defense Fund. The AID "compromise" agrees that the agency will file site-specific "environmental assessments" of its programs, "to the maximum extent practicable."

At the Justice Department

The Land and Natural Resources Division of the Justice Department has assumed the defense of the Eximbank in the lawsuit, despite the bank's protest and clear desire to employ its own staff counsel in its defense. The Eximbank's concern was clearly justified. The Justice Department attorney in charge was Assistant Attorney General James Moorman, former executive director and staff attorney of the Sierra Club Legal Defense Fund (SCLDF). While Moorman was at the club's defense fund at least six major environmental suits were filed jointly by SCLDF, the Natural Resources Defense Council or the National Audubon Society, plaintiffs in the present case for which Moorman was defense counsel. Moreover, Justice Department sabotage of the lawsuit upon which the Eximbank's continued existence depends was not limited to the appearance of a conflict of interest.

*Moorman has now delayed *11 months* in answering the suit and putting forward Eximbank's defenses.

*Moorman has refused to include the intervenor-defendants Mid-America Legal Foundation (representing Midwestern industrial associations) in settlement discussions which he has conducted with NRDC attorneys. He has even failed to serve Mid-America with legal documents and correspondence in the case! In fact, Moorman used his failure to inform intervenors as an excuse for an extension in answering the NRDC's initial complaint.

*Last June the Justice Department decided that the entire case might be disposed of because the enviro-

mental groups probably did not have the standing (the probability of suffering any injury) to sue. They issued interrogatories to determine whether or not this was the case and received the following plaintive response from the NRDC attorney: "Because we have no knowledge of the current activities of the Eximbank, we have no way of demonstrating any connection between the Bank and the plaintiffs." No lawsuit has ever survived such a bald admission of lack of standing. Moorman accordingly *withdrew* the interrogatories, naturally without notifying the Mid-America Legal Foundation.

*Mid-America filed a motion with the Court asking that the Court investigate Moorman's participation in this *and other* environmentalist lawsuits for possible conflict of interest, and requested the Court inform them of the status of settlement discussions and order their participation in them. Moorman resigned from the case Dec. 23, pending the outcome of the Court's inquiry. Meanwhile, the Justice Department attorney with day-to-day control of the case, Erwin Schroeder, reports that Department policy is to stall, awaiting the outcome of the Council on Environmental Quality's efforts to strong-arm acceptance of their regulations implementing NEPA in the jurisdiction of foreign countries.

The environmentalists and their low-wage, austerity backing allies inside the Administration are joined by the AFL-CIO in their desire to gut the Eximbank. The International Brotherhood of Electrical Workers (IBEW), aware of the critical role Eximbank plays in financing high-technology exports, planned to join Mid-America's intervention on behalf of Eximbank. The AFL-CIO informed IBEW this violated the federation's policy. The IBEW then withdrew as an intervenor.

An open, aggressive economic policy focusing on the Eximbank and U.S. high-technology exports as the heart of a program to stabilize the dollar, halt the collapse of U.S. industry and end the current world economic collapse will force the environmentalists and their zero-growth allies out in the open to defend their actions in the policy-making forum congress.

—Felice Merritt

(1) *Calvert Cliffs Coordinating Committee v AEC* 449 F.2d 1109 (D.C. Cir. 1971).

(2) *Environmental Defense Fund v Agency for International Development* (D.D.C. Dec. 5, 1975).

Eximbank Can Be Key To U.S. Aerospace Recovery

Throughout its 25-year history, the U.S. aerospace sector — one of this country's largest and most technologically advanced industries — has relied on its ability to constantly supercede existing levels of technological know-how and to sell more advanced technologies on the international market. This ability and the vital aerospace sector itself are now seriously threatened, unless U.S. government credit policy is overhauled to ensure sufficient credit flows to revitalize this and other industries. The key to reviving aerospace lies in the expansion of its high-technology exports. The best way to accomplish that is through vastly expanding the lending facilities of the Export-Import Bank, as outlined in a U.S. Labor Party memorandum to that effect.

With a labor force of over 420,000 workers and total employment of just under 900,000, the aerospace industry ranks as a leading sector of the U.S. economy. Even this is a far cry from the industry's peak sales years of 1967-68, when total employment topped 1.5 million. Since then, employment has plummeted by 40 percent, and total sales, which peaked in 1968 at over \$35 billion, have been sliced to just under \$22 billion in 1976 (in real dollar terms with 1972 = 100). No significant recovery is currently in sight.

The stagnation in aerospace sales (in constant dollars) over the 1971-1976 period would have seen a total rout but for the tripling in industry exports since 1966, from just over \$2 billion annually through the early 1960s to over \$6 billion in 1974-76. Exports now account for over 25 percent of total sales. Over this 10-year period the Eximbank has guaranteed some 15 percent of these exports, in the form of combined direct credits (\$5.86 billion) and loan guarantees (an additional \$1.5 billion). Contrary to public opinion, the bulk of these exports have not been military; some 75 percent, on the average, have been civilian, primarily commercial jet transports (see *Graphs 1 and 2*).

Skirting the Credit Problem

Some New York analysts are projecting a relatively rosy future for the industry, but Karl Harr, President of the Aerospace Industry Association (AIA) in Washington, more aptly termed 1978 a "crossroads" for aerospace. Harr's year-end review of the industry was quoted extensively in the December 26 *Seattle Times*, a newspaper which often reflects the interests and viewpoint of the Boeing Corporation.

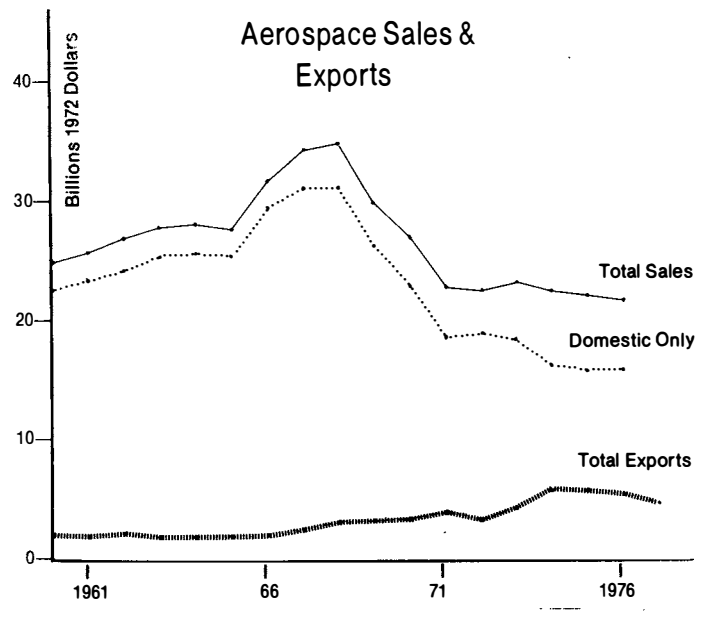
While not specifically referencing the U.S. Labor Party's proposal for expansion of Eximbank credit facilities, the AIA president did pay particular attention in his year-end review to the necessity of eliminating "all tariff and nontariff barriers in international trade." One such barrier is the sheer cost of aerospace products: one medium-sized commercial transport, for example, such as a Boeing 727 or DC-9, carries a price tag in the \$10

million range. The wide-body "jumbo" jets (Boeing 747, DC-10, Lockheed L-1011) go for some \$35 million. With commercial airlines increasingly less able to lay out large downpayments, manufacturers have attempted to bypass the credit problem by setting up sales-financing subsidiaries, and looking to the formation of international consortia in order to spread the cost and risk of developing new lines of aircraft. Boeing, for example, has entered in negotiations with Alitalia and the Italian government for the assumption of 20 percent of the cost of its present development program, and the Japanese Civil Transport Development Corporation is expected to take over an additional 25 percent. McDonnell Douglas is similarly looking to the West Germans.

The scale of the credit problem can be seen in the higher threshold of sales needed to break even on more recent plane models. The Boeing 747, which cost some \$1 billion to develop, will not have covered its development costs until sales reach about 400. Only 360 have been sold since the line came out a decade ago. The 747, and the competitive McDonnell Douglas DC-10, will undoubtedly prove profitable in the long run. The same projection cannot be made with confidence for Lockheed's L-1011 Tristar, which is not only still suffering a loss, but which has not even reached the rate of production (about 18 planes per year) required to cover overhead production costs.

The tremendous cost of research and development in this high-technology industry is the hidden weakness lurking behind any assessment made on the basis of

Graph 1



purely financial criteria. On the surface, it appears that there has been an improvement in the financial health of the industry over the 1970-1976 period, most notably seen in a steady decrease in the debt-equity ratio (from 2.2 to 1.75) and a slight increase in assets over liabilities. However, this has happened largely at the expense of investment in new plant and equipment, which has stagnated.

The industry's strategy for shoring up finances — exemplified in the extreme by the reorganization of Lockheed in 1974 — has been to bolster short-term liquidity at any cost. Holdings of cash and securities for the industry as a whole jumped 142 percent from roughly \$700 million in 1970-1972, to over \$1.7 billion in 1976; total net plant holdings barely edged up from \$4.1 billion to \$4.6 billion — in constant 1972 dollars, this represents an actual decline of \$670 million. Some 80 percent of the industry's security holdings of \$834 million — 38 percent of total liquid assets — would have to be devoured to restore the net value of existing plant to 1972 levels, to say nothing of the expansion or the development of qualitatively new types of facilities.

The industry is well aware of this problem. Harr called for a "depreciation policy appropriate to risk in a high-technology industry" and urged the modification of "the overpowering burden of heavy government regulation of industry" and an increase in government-funded research and development.

The role of government spending — and industrial credit policies — is critical to the aerospace industry, but "fat defense contracts" notwithstanding, it is a mixed blessing as presently structured. U.S. government outlays for procurement and for research, development, test and evaluation (RDT&E) account for about half of total U.S. aerospace sales, and have been essential in facilitating the development of even the commercial airliners. At the same time, government regulations put a ceiling on profits in the range of 3.5 percent of net sales after taxes, by far the lowest in the manufacturing and durable goods sectors where 5 percent is typical. Defense contracts do include hefty RDT&E components directly, but the bread-and-butter of industrial expansion, the

ability to invest in new plant and processes, remains overall profit levels and, hence, sales.

Covering Up Collapsing Sales

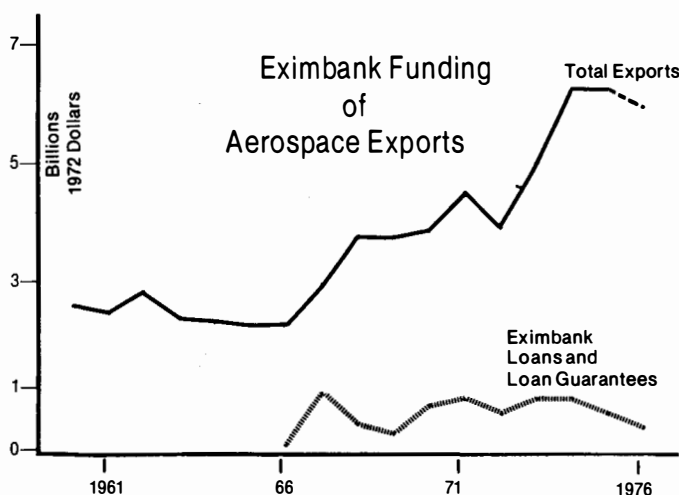
Aerospace sales have traced a unique pattern in the manufacturing sector generally. While auto manufacturers have to some extent relied on superficial styling changes in autos, the aerospace industry has grown by constantly developing entirely new product lines. In the process, it has developed capabilities for rapid and large-scale shift in production facilities and labor skills unmatched by any industry in the world. For example, aerospace has more machine tools — both manual and automatic — than the machine tool industry itself; also it has the largest concentration of scientists, engineers, and technicians of any industry.

A glance at *Graphs 2 and 3* will show that the overall rise (and fall) in aerospace sales over the past 25 years masks the constant coming on line of new products, each of which has bolstered sales as earlier products faded from the market. From its inception in World War II, when the industry really began in its present form, the mainstay was, of course, aircraft. A falloff in aircraft production lasting from 1958 to 1964 was masked by the rapid rise in missile production, which peaked under the Kennedy Administration. As missile production began to fall off in 1963, the space program was growing rapidly.

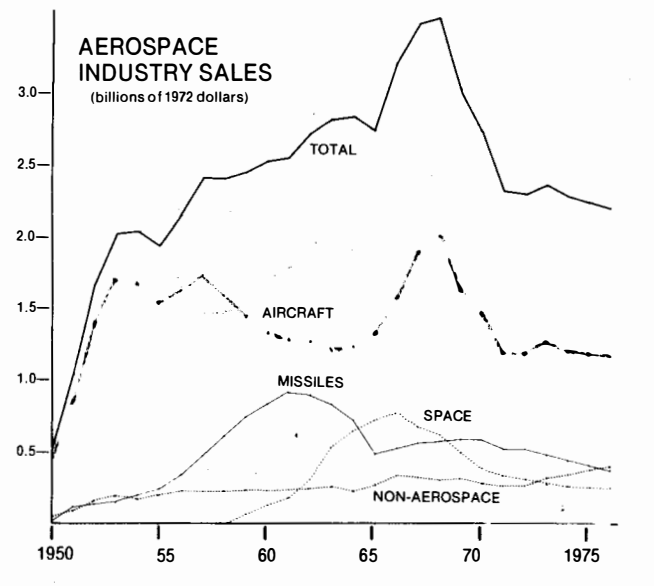
Thus the much-touted 1968 sales peak reflected, aside from Vietnam war-related military aircraft procurement, still-substantial sales of missile and space products and services. Since then all sectors have fallen off, and, with the exception of the "nonaerospace" category of aerospace company output, no new field of aerospace technology has emerged to fill the gap. What remains of aircraft production itself — still over half the industry's total sales — has been maintained largely by the export market (*see Graph 1*).

"Nonaerospace" services — which are a grab-bag of miscellaneous efforts — in 1976 amounted to one-sixth of the industry's total sales — or the second largest sales component after aircraft. It includes all sorts of diver-

Graph 2



Graph 3



sified "sidelight" investments from surface transportation (e.g. Boeing's Vertol Division; Rohr Industries' production of the D.C. metro and the San Francisco BART system); turbine engines for nonaerospace applications, such as power generation stations and some European railroads; modular housing (Grumman); and a hodgepodge of energy-related projects, ranging from nuclear to solar panels and windmill vanes. McDonnell Douglas, for example, is a prime contractor for ERDA's pilot solar project in Barstow, California; while a giant windmill greets workers at Grumman's Long Island plant.

In short, the industry is keeping as many pots going as possible at a slow simmer, hoping that Washington will issue some kind of clear industrial policy direction.

A parallel strategy has been to scan the horizon for possible acquisitions as a cheap short-cut to bolstering production capacity, as well as an additional source of liquidity. Over any longer term period, however, without clear government commitment to the quality of industrial growth specified in the U.S. Labor Party's Exim-bank proposal, there simply is no future for aerospace. Individual companies may survive relatively intact, even prosper, but only as a different species of industry that neither relies on technological advance nor contributes significantly to it.

An example of the relative slippage in U.S. aerospace capabilities is the recent introduction of the European "Airbus" short-haul jetliner to U.S. domestic routes. This aircraft, a joint production of German, French, Dutch, and Spanish companies, is an ideal fuel-efficient plane for high-density, short-range traffic, such as the New York-Chicago and New York-Florida routes; it has already been adopted by Eastern Airlines. The lesson to be learned in the Airbus case is not that "competition" with overseas manufacturers is hurting domestic industry — for one thing, 30 percent of the plane's cost is engines manufactured by General Electric — but that it was developed and marketed before Boeing and McDonnell Douglas even had their lines off the drawing boards.

U.S. manufacturers might try to sidestep the problem with complaints of heavy government subsidies to European airlines and aircraft manufacturers. In reality, U.S. efforts have been encouraged no less, if indirectly, by government policy. The problem is, in part, establishing that policy clearly and coherently.

From 1974 to 1976, total federal outlays for industrial research and development averaged just over \$3.5 billion annually, compared with over \$6 billion in 1963-66, and \$4.5 billion in 1960. The cancelled B-1 bomber accounted for fully 12 percent of the total 1975 government and private aerospace sector Research and Development budget. The space program, despite the space shuttle, has also leveled off at just over \$2 billion a year, down from a peak of \$6 billion in 1966 and at its lowest level since 1962 (see Graph 4).

New Research and Development efforts cannot be financed out of existing sales markets. In the past, the development costs for a new plane could be written off after the first 20-100 sold or offset by ongoing military production; but, with the advent of wide-bodied jets, the entire projected production run is necessary to absorb the original costs. Adding to the credit crunch, airlines can no longer finance production costs by "progress payments" on their orders. Boeing now demands 50 percent down in six-month installments starting two years prior to delivery for production of the 747 — a rate and level far in excess of prior patterns. Lockheed and McDonnell Douglas have not been able to obtain more than 35 percent in one 6-month prior payment.

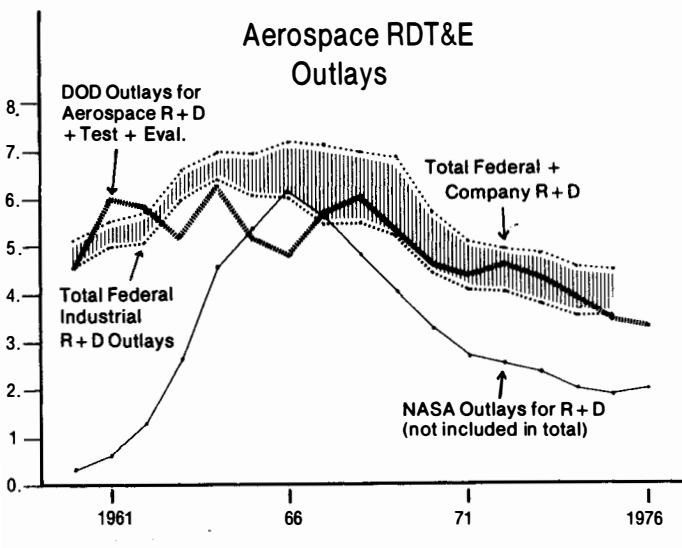
Moreover, present airline prospects do not look good for financing new planes. While passenger-miles flown continue to increase, domestic operating revenues, of which some 85 percent is passenger fares (the remainder cargo, mail, and overweight), have fallen since 1974 in real dollar terms. After six years of extremely shaky business, from a net operating standpoint, 1977's apparent income boom owes a great deal not to air traffic, but to such irregular items as sales of old aircraft and interest income from nonairline subsidiaries. But one year's profits cannot finance a fleet. It is anybody's guess what effect an impending price-war in air travel may have on airline net revenues.

One proposal afoot in the Department of Transportation is to divert one-quarter of the present 8 percent federal tax on airline tickets, about \$3 billion over the next ten years, toward the financing of new planes. This might do the trick for replacing existing capacity: many of the older planes in the fleet will have to be retired shortly, and airlines have been holding off on orders until the last moment. The question remains whether the industry will continue, in Harr's words, "to play its traditional role in the economic and national-security areas."

Commitment to High Technology Runs Deep

The critical determinant will be government action. Harr's comments are relatively strong for an industry ingrained with a fear of high-profile political statements ("We get stomped on if we make high-visibility" moves, said one AIA official), but as such, such remarks are inadequate. Presumably new military RDT&E and procurement, plus continuing overseas military sales, can continue to prop up a sizeable portion of the U.S. aero-

Graph 4



space industry. Guarantees for failing firms, such as the Lockheed salvage operation, can also conceivably take place when necessary. The real question, however, is not whether a particular firm remains afloat, but on what basis will the industry continue to exist?

The industry remains firmly committed to high-technology growth rather than paper profits, unlike other industrial representatives such as U.S. Steel's Edgar Speer, who declared that the purpose of U.S. Steel was to make profits, not steel. An example of this commitment is the maintenance of company-generated Research and Development outlays over the period from 1966 to the present when federal outlays slipped constantly downward. The company portion, which comprised 10 percent of total Research and Development in 1960 (\$530 million out of \$5.1 billion in 1972 dollars), in 1972 had grown to 21 percent of the total, or almost \$900 million. As for the European Airbus, the common response of U.S. industry representatives has not been to view it as competition, but simply to remark that it's a good plane!

Because of its dependence on government financing, whether direct development and production of military products or the associated advances made possible in civilian manufacture, the industry is presently dabbling in enterprises that offer no promise for future technological advance and, worse, represent actual sabotage of the high-technology backbone of the industry. Even ignoring side lines such as real estate or hotel ownerships, investments in solar energy, pollution control devices (Grumman), and other low-energy but labor-intensive operations are a growing feature of aerospace "assets". Until the present obstacles in government policy to actual high-technology output are removed, such as the

stalling of nuclear plant construction, aerospace really has little choice.

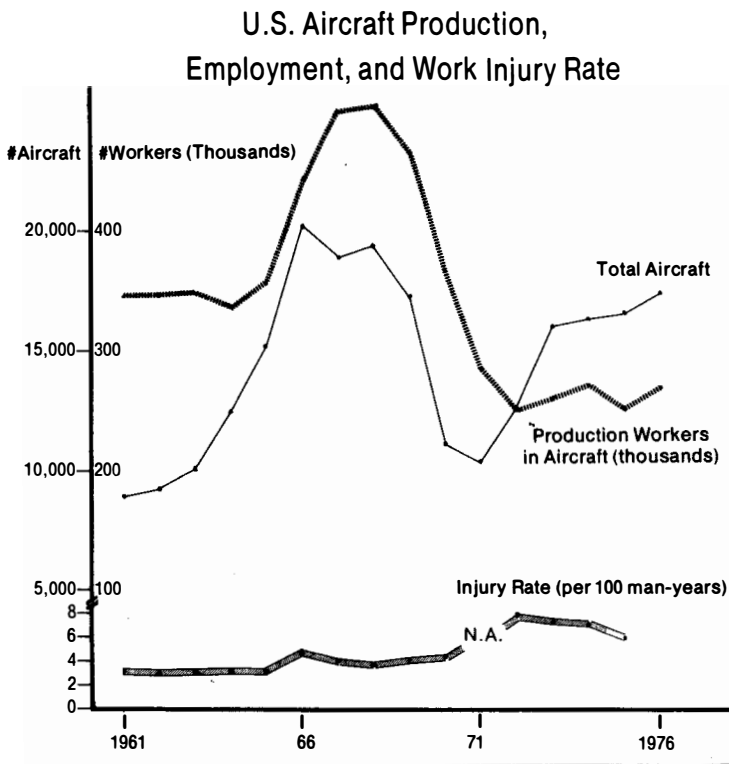
In the meantime, the production that is continuing increasingly comes out of the hides of the work force. Skilled labor, such as the scientists and engineers capable of advancing the industry's production capabilities, remain idle (now at 67,400; down from 101,000 in 1968 when they represented nearly 27 percent of all Research and Development-engaged scientists and engineers). In 1972, when total aircraft production jumped from its 1971 low but total production workers employed in aircraft remained depressed, the work injury rate nearly doubled from a previous average of about 4.5 injuries per 100 man-years, to 8.0. With only a slight subsequent decline, it has remained there ever since. (Total aircraft production leapt to a post-1968 high over the 1973-1976 period due mainly to an increase in general aviation, or small private aircraft, rather than commercial orders. This comprises some 15,000 planes annually, compared with commercial production in the 2-350 range, though makes up only one-sixth of the dollar value of total aviation sales (see Graph 5).

A final indication of the state of aerospace is the condition of subcontracting. Aerospace is a highly interlocked industry as a whole; large contracts are frequently subcontracted to the tune of 50 percent of the whole project. Boeing, for example, produces only one portion of the 747 fuselage; LTV's subsidiary Vaught Aerospace produces the tail and aft body, while Northrop turns out the main fuselage section and various other components. Engines and electronics are generally put in by other companies with appropriate specialized facilities, such as General Electric and United Technologies for engines; Northrop and others for guidance and control systems. This is the major production side. As for new development efforts, historically a major role has been played by a multitude of small companies, specializing in the development of some new technology which can then be adopted by the larger companies for mass production. These smaller firms have assumed a disproportionate share of the risk in RDT&E efforts, especially during high-inflation periods when they have less financial flexibility and sheer clout to modify original contracts. They also tend to operate on a much slimmer profit margin. In 1968, some 6,000 subcontractors were in business; through shifts to other work and bankruptcies, only 3,700 remain. Aside from the assumption of risk and the advantages of a larger scale division of labor (and consequent freedom for innovation), the subcontractors also provided a considerable portion of the Research and Development industrial facilities of the late 1960s and early 1970s — facilities which no longer exist in part.

Potential markets do exist that would not only revive the U.S. aerospace industry but would challenge its capabilities to the utmost, and not just through the deadend of military exports. Over the long term, a vastly expanded space program would beggar past efforts; that is, a program oriented toward the 21st-century exploration and colonization of other planets.

In the short term, expanded Eximbank financing would put to use the now-idled nuclear energy inputs from the aerospace industry. Associated infrastructural development of Third World nations would call on the ad-

Graph 5



vanced materials (e.g., aluminum and alloys) and industrial-engineering expertise of the industry for surface transport and port development, as well as an escalated demand for commercial aircraft production. Above all, what would be in demand is the flexibility and RDT&E capacities of the industry that exist nowhere else in the world in such concentration. The U.S. aerospace industry is more than a collection of plants that can produce this or that existing product. It is an integrated, high-technology-oriented complex that has built up a cooperative pool of the world's most highly skilled labor force and represents one of the foremost real assets of the world economy.

This is well known to the industry. the AIA president concluded his remarks by noting that "if the Administration and the Congress decide that the price is too high

or that other, conflicting principles or priorities (e.g., energy stagnation, deindustrialization of the U.S.) take precedence, then...this country will be, perhaps irrevocably, on a path to a very different kind of role than it has known for the past 35 years, with all the attendant domestic and international consequences that will inevitably follow."

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Fed Interest Rate Hike Plays Into London's Hands

The U.S. Federal Reserve Board's Jan. 6 decision to hike its discount rate, which was subsequently followed up by other credit-tightening moves, has kicked-off a deflationary unraveling of the nation's credit markets and productive economy. Although Fed spokesmen justified the new tight-money policy as necessary to help stabilize the beleaguered dollar — since higher interest rates will ostensibly attract more investment funds into dollar-denominated securities — the Fed is not-too-smartly playing into the hands of London merchant bankers who are poised and ready to buy up the U.S. economy at bargain-basement prices once the markets hit bottom (see *International Report*).

BUSINESS OUTLOOK

Blame for the discount rate hike has generally been laid at outgoing Fed chief Arthur Burns's door, but the Jan. 10 issue of the Paris daily *Le Matin* reported that in fact Treasury Secretary Blumenthal made the decision. With Carter's appointment of G.W. Miller as Burns's replacement, the Blumenthal faction of the Administration — itself allied with London — moved to subject the conservative Federal Reserve Board to its control — and, according to *Le Matin*, the rate hike was effectively the first act of the "Miller Fed."

The first business day after the Fed's announcement, the *Wall Street Journal*, which curiously enough, has recently been lending its voice for the "British" view, called on the Fed and Administration to stop printing dollars as the best way to defend the endangered currency. The coupon-clippers at the *Journal* argued that if money supply growth and inflation were curbed by a tight-fisted Fed, the U.S. trade deficit would be offset by increased foreign investment in high-yielding dollar-denominated bonds, "our chief export."

The disastrous implications of the Fed's policy turn — the collapse of the fragile U.S. industrial base — were not lost on the New York stock market, however. During the first seven trading days of the new year, the Dow Jones industrial average plunged over 54 points to 775.90, due to the dollar instability and interest rate developments. Following the rise in the discount rate, the rate at which banks borrow from the Fed, commercial banks were forced to jack up their own prime lending rates from 7-3/4 to 8 percent. Moreover, the Fed continued this week to drain reserves from the banking system, pushing up the bellwether short-term Fed Funds from 6-1/2 to 6-11/16 percent. This rattled the bond market, causing a sharp fall in government and corporate bond prices.

Government Refinancing Crunch

The *Wall Street Journal* itself hinted at the actual depth of the credit crisis in a Jan. 11 column, quoting from money market analysts Alan Lerner of Bankers Trust and David Jones of Aubrey Langston. These experts say that, because the Fed and Treasury will be intervening heavily in support of the dollar in the coming months, foreign central banks will no longer have to accumulate large reserves of dollars and therefore will no longer be purchasing U.S. Treasury securities. Last year, foreign investors, largely central banks, purchased a whopping \$31 billion marketable U.S. Treasury issues. With the foreign central banks now out of the picture, the Treasury will have to depend on private investors to finance its burgeoning deficit, and will have to pay higher rates so as to draw funds away from presently more-attractive private securities. According to Salomon Brothers general partner Henry Kaufman, the combined Treasury and Federal credit agency borrowings will reach an estimated \$84.2 billion in 1978, "almost as big as the record Federal borrowing of \$87.8 billion in 1975."

The effect of this immense Federal borrowing operation and the tightened credit conditions will be to squeeze private industry out of capital market, and make new spending on plant and equipment unprofitable. Savings institutions will suffer loss of deposits as funds are drained away into higher-yielding government paper, leaving little for investment in new housing construction. Even *before* the dollar intervention policy and discount rate hike were announced, Kaufman had written in a feature for the *Money Manager*: "In 1978, the American Credit Markets will face their most difficult challenge since the current economic expansion began in early 1975."

Crocodile Tears

The flip-side of the *Wall Street Journal* tight-money line appeared in the *New York Times*, whose Jan. 11 editorial "Bringing the Dollar War Home" self-righteously inveighed against the Fed's placing "a higher priority on exchange rates than on domestic economic recovery." The Fed's "regrettable," but "understandable," approach might be mitigated, the *Times* suggests, by imposing energy conservation at home and by forcing the West German government to reflate its economy.

Similarly, the Jan. 7 London *Economist* was gleeful over the American "conundrum" of a tight-money, economy-wrecking "defense" of the dollar versus "full-employment" and "Argentina-style" hyper-inflation and currency depreciation — as if the proproduction, gold-backed monetary system alternative did not exist.

British Press And Its Allies Outline U.S. Dollar's Destruction

Wall Street Journal, *editorial*, "Dollars and Deficits," Jan. 9:

The Carter Administration's decision to intervene in the foreign exchange markets has unleashed a whirlwind of commentary on the dollar. Nearly all of it missed the main point, which is that what exchange rates are basically about is monetary policy — though the Federal Reserve Board made the connection explicitly in increasing the discount rate....

The ability of the U.S. economy to cover the principal and interest on its outstanding bonds is being called into question by a series of wrong-headed economic policies.

A policy directed single-mindedly at reducing the deficit in the trade account could actually hurt the dollar if it also wrecked the market for dollar bonds. Taxes or quotas to reduce oil imports, for example, would curtail economic growth and the value of bonds. An end to domestic price controls on gas and oil, though, would enhance growth and bolster the dollar through both the bonds market and the goods market.

Policymakers need to keep both these markets, and not merely the trade deficit, in mind as they ponder the falling dollar. The heart of the problem does not lie in using too much of our chief import. The dollar is falling principally because the administration and the Federal Reserve neglected to protect the value of our chief export, bonds and other financial assets.

New York Times, *editorial*, "Bringing the Dollar War Home," Jan. 11:

Early this month, the Carter Administration abandoned its "benign neglect" of the dollar...

The new show of resolve is good news for those preoccupied with the sagging dollar. But for the rest of us, more concerned about employment and economic growth, the Fed's strategy is disquieting. The decision to place a higher priority on exchange rates than on domestic economic recovery is an unwelcome precedent.

Though regrettable, the Federal Reserve approach is understandable. If the value of the dollar is to be defended without massive intervention in currency markets, corporations and wealthy investors must be persuaded to park their spare capital in dollar securities...

But, unfortunately, higher interest rates for foreign lenders also mean higher rates for domestic borrowers....

Is there no way to shore up the dollar abroad without risking jobs and profits at home? Credit policy is the only lever the Fed has on the economy. But a number of the more constructive alternatives are available to the White House.

•*Lean on the West Germans*.... West Germany's sluggish economy has, paradoxically, attracted conservative international investors who care not a whit about Germany's high unemployment and care very much about that country's high interest rates, low inflation and fat foreign trade surpluses. If Bonn could be persuaded to

bolster the nation's own growth rate, the relative appeal of the mark would diminish, leaving investors with no place to turn but Wall Street.

•*Lean on Congress*. Both the symbolism of American dependence on Arab energy and the reality of huge cash flows to pay our oil import bill have weakened the dollar. The energy plan, now trapped in Congressional conference committee, wouldn't end our dependence. But it would keep that dependence from growing, and show the world that Americans are willing to sacrifice for energy conservation...

•*Lean on tax policy*. Most of the damage that tight credit can do can be undone by a fiscal policy aimed at increasing business investment incentives and consumer power... A \$25-\$30-billion tax cut is already in the works. Should the Fed follow through on its tight money game plan, there is every reason to consider a much larger tax cut this spring.

To date skirmishes over the dollar have been confined to international financial markets. The Fed's credit policies, however, promise to bring the dollar war home to the American people. It is up to Congress, the President, and most of all, our German allies, to keep that from happening.

Economist, *editorial*, "Bill Miller's Dollar," Jan. 7:

...Mr. Miller's domestic task in 1978-79 should be somehow to bring the Federal Reserve's management of America's money into better balance with the budget so that fiscal policy is less burdened by the full responsibility of economic recovery, and to do this without allowing the administration or the congress to call most of the shots...

Intolerable as (U.S. unemployment) rates are, yet bulldozer macroeconomic measures to bring them down to a civilized level could, in the absence of wage and price controls of an efficacy probably not possible in a capitalist economy in peacetime, cause the United States to give Argentina a run for its money in the high-inflation championship stakes. That was the conundrum Mr. Burns has tried one answer to: namely, stop the bulldozer. Mr. Miller might be happy to see it go to separate hillocks.

Don't support the dollar

Mr. Burns has at times seemed to take an almost proprietorial interest in the value of the dollar, and Wednesday's activation of the swap arrangements to push the exchange rate up looked wiredly like a parting shot from him because his own departure was sending it down. Mr. Miller should beware of believing that any particular dollar exchange rate will be a measure of his own prestige.

The United States will continue to run a petrosaurus-sized deficit on its current balance of payments so long as it forks out \$45 billion a year to pay for imported oil and gas. While this oil deficit lasts, or grows, any sizeable intervention by the Federal Reserve to support the dollar will be throwing good money after bad...

Makeshift measures to cut the country's \$30 billion trade deficit in the meantime, by domestic deflation or trade protectionism, will prove foolish. They will lead to the export of recession by the United States, to higher unemployment everywhere, and to still greater budget

deficits as today's taxpayers become tomorrow's unemployed and treasuries try to spend economies out of a slump. Mr. Miller should tell central bankers at Basle

that, so long as the United States guzzles Middle Eastern oil, they can have either a strong, stable dollar or a stimulative American trade deficit to help their economies out of a rut. They cannot have both.

Morgan Guaranty Newsletter Confirms Euro-lending Hurt \$\$\$

Morgan Guaranty Trust's monthly newsletter, World Financial Markets, corroborates the Executive Intelligence Review's analysis of Eurocurrency market lending detailed in its December issue. According to the newsletter, excerpted below, "the expansion of international lending on a net basis was probably no greater than last year," due to "the probable increase in repayments on maturing bonds and credits."

EIR drew the same conclusion in November, working from second-quarter Bank for International Settlements data, and argued that the large increase in the gross volume of lending, while net lending stagnated or fell, led to the creation of excess international liquidity and dollar weakness. Morgan's economists believe the link between international lending and the dollar situation "is a line of reasoning that might be pursued," but decline to pursue it. The banks' role in weakening the dollar, through a lending policy that recycles existing debt service without promoting new exports to the underdeveloped countries, might shed light on the strange silence of the commercial banks on the issue of intervention to back the U.S. currency.

The gross volume of lending activity in the international bond and Euro-currency bank credit markets rose to a new high in 1977. However, given the probable increase in repayments on maturing bonds and credits, it is likely that the expansion of international lending on a net basis was no greater than last year. When also taking into account the increase in the banks' net foreign lending in domestic currencies (as opposed to Euro-currencies), the total net increase in international lending this year may even have been somewhat smaller than last year. This reflects both the narrowing of international payments disequilibria outside the United States and the generally slower growth of world trade and economic activity....

According to preliminary data, the gross volume of publicly announced new international bond issues combined with the gross volume of medium-term Euro-currency bank credits reached a new high of \$72 billion this year. This is an increase of more than \$10 billion, or 17 percent, from the previous record volume of 1976. The amount of such financing arranged also increased between the first and second halves of this year, from about \$34 billion to \$38 billion.

The growth between the two years was concentrated in the medium-term Euro-currency bank credit market,

where the amount of new credits arranged rose from less than \$29 billion in 1976 to more than \$40 billion this year. New issue volume in the international bond market declined slightly, from \$32.5 billion last year to about \$32 billion in 1977. The expansion of Euro-bond issue activity to yet another record high of \$17.5 billion this year, versus \$14.3 billion last year, was more than offset by declines in the volume of new foreign bond issues in the U.S. and Swiss markets.

These figures are for publicly announced international financing activity on a gross basis as opposed to net international credit flows both include bond issues and loans which are not publicized. They refer to bond offerings and bank credit commitments as announced, irrespective of when the proceeds of bond issues are received by borrowers or the extent to which the credit commitments are utilized, or drawn down, by borrowers. The figures do not take into account repayments of outstanding bonds and loans, which are substantial. Furthermore, the data do not include lending in domestic currencies by the head offices of banks to foreign borrowers. Data covering such foreign lending - excluding interbank deposits) by the head offices of U.S., U.K., German, Swiss, Dutch, and Japanese banks during the first nine months of this year show an annual-rate increase of about \$7.5 billion on a net basis (data on gross flows are not available) versus a net increase of approximately \$14 billion in 1976....

Gross Euro-currency lending to the non-OPEC developing countries increased at a slower pace during 1977 than in the two previous years. This partly reflected the reduced financing needs of several major borrowers (e.g., Brazil, Argentina, Colombia, and the Philippines). In addition, a few normally significant borrowers (e.g., Peru and Turkey) were unable to obtain new credits because of their reluctance to take sufficient adjustment measures to cope with a deteriorating external payments position. On the whole, lenders have been heartened by the demonstrated willingness and ability of many of the major developing-country borrowers to take necessary adjustment measures. These measures have led to a significant improvement in their external payments positions from those which prevailed during 1974-75 and for some countries into 1976....

In addition to the borrowing requirements inherent in current account imbalances, the gross demand for international credit will be boosted by the further increase in the amount of external debt maturing next year which will have to be refinanced for the most part....

Cold Weather, A Foil For Schlesinger's WEEP?

The traditionally cold weather of an Ohio winter has been combined with the lack of productive investment in U.S. industry, to be marketed as the country's first energy crisis of this winter. Situations involving heavy rains, freezing temperatures, and heavy snowfalls are being allowed to deteriorate until a population terrified by sensational news stories and doctored statistical "proof" of fuel shortages begs for federal intervention. At that point Energy Secretary Schlesinger will move in with his Winter Energy Emergency Plan (WEEP).

The "energy crisis" scenario was heightened when three Ohio utilities asked the public to voluntarily conserve electricity while two others instituted temporary five percent voltage reductions. Their immediate problem stems from ice-covered coal which is difficult to handle, frozen coal-handling equipment, high-moisture coal which does not burn well, and frozen coal in railroad hopper cars. Although the utilities are working around the clock to unfreeze the coal and machinery, another storm is expected on the weekend.

Two complicating factors are that most utility companies schedule maintenance for the winter months when normal demand is lower than summer peaks. The severe cold has brought current demand past the winter peak capability of the utilities. In addition, because the cold snap has been nationwide, Ohio power companies that would normally buy extra power from East Coast systems can find none for sale. The entire national electric grid is under tremendous strain.

These are not basic scientific or technical problems, but are the result of the lack of productive investment in the U.S. industrial infrastructure. After the severe experience of last year, low-interest emergency credit should have been, and must now be, extended to industry, the utilities, and the coal-handling railroads to invest in the technology necessary to keep the country running during the winter. It is the decrepit state of the domestic industrial and transport infrastructure that is causing economic dislocations whenever it gets cold. The world's most highly industrialized society has been left to the mercy of the "elements."

WEEP Activated

Cold winter weather, which is after all, a function of the inclination of the earth's axis, has been turned into a psychological warfare weapon by the media. NBC-TV national news has pasted together a nightly collage of every possible horror related to the weather. The *New York Post* has purposely confused the difference between wind chill factor and temperature to convince people it is dangerous to venture outside. The *Chicago Daily News* headlined "Winter of 1977 Again?" while the *Washington Post* screamed "Cold Snap Forces Power Reductions in Midwest."

This hysteria campaign combined with the refusal of the federal agencies such as the Department of Energy or Federal Reserve to constructively intervene is the first step of activation of WEEP. Just as the Emergency Natural Gas Act was whisked through Congress last February when opposition was steamrolled by the "crisis," domestic chaos and severe gas and coal shortages are the only way Schlesinger can hope to ram through parts of his universally hated National Energy Program.

The continuing United Mine Workers strike, set up by the terrorist Institute for Policy Studies, is preventing frozen or wet coal stockpiles from being replaced by fresh coal. Adopting a hardly believable prolabor policy, the Department of Energy protests that the control and autarkical measures in WEEP cannot be implemented now because they will not engage in union-busting activity.

New Jersey State Energy Commissioner Joel Jacobson, a former official of the United Auto Workers, announced Jan. 10 that if the strike extends past Feb. 1, "drastic curtailments" will be put into effect.

Almost every other important state energy office is conscious of the basic problem of lack of money to bolster the U.S. energy grid on either a short or long-term basis, and realizes that state-wide intervention is not helpful if it does not deal with the basics. Officials in the Ohio state energy office, for example, know that federal intervention à la Schlesinger would only intensify the hysteria, and have told federal agencies to stay out.

N.J. Governor Delays First Floating Nuclear Plant

Public Service Electric and Gas, New Jersey's largest utility announced at the end of last month that it will delay its \$2.1 billion project to build the world's first floating nuclear power plant. The plant's site is three miles off the New Jersey coast near Little Egg Harbor. Nearly every nuclear producer in the world, from Japan to Europe and the USSR, has been eyeing the development of the first floating nuclear plant as the crucial technology to allow far faster and more economical construction of nuclear power, and ultimately fast breeders.

In its official statement, PSE and G board chairman Robert I. Smith said the company has asked the contractor, Offshore Power Systems, a Westinghouse subsidiary created to develop and market the innovative

floating plant technology, to give a three-year delay in delivery of the four nuclear units, which were first contracted by the utility in 1972 and 1973.

A spokesman for Westinghouse told EIR that the postponement is a serious blow to the industry especially because a number of other utilities had been waiting to see whether PSE and G gets licensing approval from the federal government before deciding to develop similar plants.

The design innovations in floating nuclear plants promise to revolutionize the considerable time and thus costs of construction of nuclear power plants. They allow fast expansion of needed world nuclear power plant construction by permitting for the first time standardization and mass production of plants that can then be floated to final sites.

The decision comes at a critical time for development of the nuclear manufacturing complex at Jacksonville, Fla. and may force layoffs of as many as half of the 700 man team there.

The background to PSE and G's decision is directly political despite the fact that for "diplomatic" reasons Smith chose to highlight future demand and economic reasons as the cause for the delay. The previous month, during the November New Jersey gubernatorial election campaign, Gov. Brendan Byrne and his hand-picked new State Energy Commissioner, former United Auto Workers official and Ford Foundation fellow, Joel Jacobson, "recommended" to the State Public Utility Commission that PSE and G not be allowed to finance construction of the offshore nuclear facility, known as Atlantic-1, through consumer rate charges but only through internal financing, almost impossible on today's troubled credit markets.

Byrne himself has been active in the negotiations to dismantle industry across the Northeast through the Energy Corporation of the Northeast (ENCONO) of Felix Rohatyn. After making the ruling last November, Byrne gloated that this would make development of the offshore facility a virtual dead-letter.

Energy And The Art Of Calculated Cheating

—Exclusive to the Executive Intelligence Review—

Politics, so far as mobilizing support is concerned, represents the art of calculated cheating — or more precisely, how to cheat without being caught.

James R. Schlesinger
Journal of Law and Economics, 1968

Since the installation of the Carter Administration, with Schlesinger heading the White House energy policy and planning staff and then the Department of Energy, every key study and evaluation used to justify the Administration's National Energy Plan (NEP) has been based on changing the underlying forecasting methods, models and assumptions used to calculate the relevant quantity (supply, demand, or price). Thus, the Carter program, based on forced figures, appears rational. In addition, many studies with inconvenient conclusions have been burned.

The first major evaluation of the energy situation to come out of the Carter Administration was made public on April 20 — the day the President announced his National Energy Plan to the nation. This was the Turner CIA report on the world energy situation, which predicted that "in the absence of greatly increased energy conservation, projected world demand for oil will... substantially exceed capacity by 1985." "We are now running out of gas and oil," the report claimed, alleging that the Soviet oil industry is "in trouble, (its production) will soon peak... By the mid 1980s, the Soviet Union will become a net importer." (1) Schlesinger, according to press accounts, urged the release of the study for Carter's public relations effort.

This analysis was immediately attacked from many quarters: the Library of Congress; the UN Institute for Training and Research; the International Institute for Applied Systems Analysis; the Stanford Research Insti-

tute; the National Economic Research Associates; Shell International, and so forth, (2) as well as the U.S. Geological Survey.

The most obvious flaw of this piece of propaganda is that, in the words of Congressman Clarence Brown, it "ignores the potential for finding new reserves." In fact, contrary to all accepted practice for estimating fossil fuel supplies, this report did not consider as supplies any but already proven and tapped wells and fields.

The key man responsible for putting this report out was CIA economist Walt MacDonald. Highly placed sources who questioned MacDonald on his use of such a ridiculous forecasting model report that he told them he "was ordered to use these assumptions" — but refused to say who gave this "order".

It is useful to note what happens to the individuals involved in these frauds: MacDonald was appointed by Schlesinger to be Deputy Assistant Secretary for International Affairs at the Department of Energy. Director McKelvey of the U.S. Geological Survey which put out a competent report contradicting Turner's was summarily fired without cause. Individuals within the CIA who protested the use of the Agency to launder this fraud were purged under cover of cleaning out "excess personnel," and S. David Freeman, who had earlier published one of the few studies that gave credibility to the CIA's findings, was appointed a Commissioner of the TVA. (3)

Indeed, sources within the Agency have reported that a report reaching very different conclusions from the Turner report had been prepared, but Turner had ordered its suppression and destruction. (4)

Wet MOPPS

One of the key studies on natural gas the Administration has pointed to (its case being that we are running out of gas, and that raising the price will not

bring much more on line) was that done by the Market Oriented Program Planning Study Division of the Energy Research and Development Administration (ERDA) — the “MOPPS Report”. On April 1, MOPPS I concluded that there was an abundance of gas, even at a ridiculously low price — very embarrassing for Schlesinger, who was feeding Carter the line that we are running out of gas. So MOPPS was told to change its assumptions and come up with something more acceptable. MOPPS II emerged on April 6, now basing itself on the Stanford Research Institute model, a more scientific model, in fact, than that of MOPPS I, but one which produced an even worse conclusion for the Administration: that there could be an abundance of gas at a deregulated price. So the White House had ERDA scrap both these, and convene a large panel of specialists in Reston, Virginia, to produce a better report. Thus emerged, on June 3, MOPPS III. Unfortunately for the Administration, even though MOPPS III restricted its estimates to “conventional supplies,” it also determined that supply was elastic and plentiful, if the price was allowed to rise moderately. (5)

Although none of these reports aided Schlesinger’s program, it was not for lack of his trying to manipulate a favorable conclusion. In fact, it was broadly and very reliably reported that his office ordered the physical destruction of the MOPPS I and II studies (an event that was labeled “ERDA-Gate” and “Book-Burning” in the press).

But despite their problems with the credibility of the Turner oil study and the MOPPS gas analyses, throughout the spring the Administration was getting evaluations favorable to its program from the Federal Energy Administration’s Office of Energy Information and Analysis (OEIA). Unfortunately for the Administration, by law the General Accounting Office must undertake an “independent audit” of the statistics produced by OEIA. The report of the audit team was published December 5, 1977, and its conclusions are devastating for the credibility of the OEIA figures and the integrity of Schlesinger’s office:

The Executive Office of the President’s energy policy and planning staff, in developing the National Energy Plan, was able to direct changes in certain economic assumptions of the Project Independence Evaluation System (PIES) model. These assumptions altered...the forecasts of energy supply and demand made for the President’s policy and planning staff... Twenty other changes . . . were made between the PIES run for . . . November, 1976, and the PIES run for the President’s energy plan in April, 1977 . . . The energy policy and planning staff approved these changes....the increased gap between projected energy supply and demand (emphasized) the need to implement the President’s energy plan . . . OEIA’s credibility was harmed by becoming, in effect, an extension of the energy policy and planning staff, by failing to make public the results of all its forecasts, and the assumptions upon which they were based. (6)

Richard W. Kelly of the Accounting Office, who chaired the independent audit team, told this reporter that the man on the White House energy policy and planning staff who dealt with the OEIA was George R.

Hall. Mr. Kelley states that he was shown correspondence between Hall and the head of OEIA in which Hall directed the OEIA as to the forecasting assumptions they should use. George R. Hall has since been appointed by Schlesinger to the Federal Energy Regulatory Commission with DOE. (7)

Halting Nuclear Construction

At the height of the battle last spring over the future of the U.S. breeder reactor program, specifically, the Clinch River plutonium breeder project, a very convenient little report was produced — with tremendous press fanfare — cosponsored by the MITRE Corporation and the Ford Foundation. “Nuclear Power: Issues and Choices” purported to be an objective study of world uranium supplies, concluding that supplies were so abundant that we can delay the breeder option indefinitely. (8) This “independent” study was immediately embraced by Carter as his own, and, indeed, two of the most prominent members of the study were already part of the Carter team: Defense Secretary Harold Brown and Deputy Undersecretary of State Joseph Nye. The study was headed by Spurgeon M. Keeny, Jr., of the MITRE Corporation, who has since been appointed assistant head of the Arms Control and Disarmament Agency.

Despite the great use made of the Ford-MITRE report by the President and Secretary of Energy (they foisted copies on the unappreciative Japanese head of state, as well as on the American public), and the massive press play-up, the fraudulent nature of the “study” is blatant.

What became obvious in congressional hearings on the report was that the Ford-MITRE team ignored accepted forecasting methods for estimating uranium supplies and ignored the forecasts made by reputable institutions. Under questioning, they were totally unable to justify their own procedures. Congressman Mike McCormack responded sharply: “I am deeply disturbed with your report.... There have been a number of studies made. All of these studies disagree with your conclusions. They disagree dramatically with your conclusions....The most recent studies by ERDA, the National Academy of Sciences, and other organizations.... If I may paraphrase what you are saying, you are saying you do not know how much uranium there is, but you will ignore the report of the Federal government and use some other planning base which is much higher.” (9)

Britain’s Lovin

Facing congressional resistance to his energy policy, the President, acting together with Secretary Schlesinger and Deputy Assistance Secretary of State Nye, convened the “International Nuclear Fuel Cycle Evaluation” conference in Washington on Oct. 19. Carter opened this conference with a speech before the assembled international experts based on the quackery of Amory Lovins of the British Friends of the Earth (See “Friends of the Earth: Nerve Center for Britain’s Environmental ‘Movement’”, Executive Intelligence Review, Jan. 10, 1978). Mr. Carter stated that “The need for atomic power itself for peaceful uses has perhaps been greatly exaggerated.” He proceeded to justify this statement by appealing to “studies” he had “just recently been shown” that demonstrate that nuclear

generated electricity costs 20 to 30 times more than the equivalent in oil — an absurd conclusion by any responsible standard. (Nuclear generated electricity is in fact the *least* expensive, not by estimates, but by proven performance.)

These “studies” were shown to him the previous day in a long meeting the President had with Lovins. That is generally known. What has not been previously reported is that James Schlesinger sat in on the entirety of that meeting, and Carter would not have proceeded to base his speech on Lovins no-growth doctrine had Schlesinger raised any objections.

The Atomic Industrial Forum, not knowing Schlesinger was in on that meeting and thinking they were addressing a pro-nuclear ally, wrote a letter to the Secretary in which they point out the faulty assumptions and biases built into Lovins’ model. (10) “Others inside and outside the nuclear industry are equally dismayed by the President’s remarks and the uncritical acceptance of the assertions of Mr. Lovins,” they wrote. (Schlesinger has not even acknowledged receipt of this letter.) In the case of Lovins’ work, his models are not only based on unacceptable assumptions, but are internally inconsistent and absurd — but all weighted heavily against the nuclear option — this being enough to recommend them to the President of the United States.

In an April 14, 1977, memorandum (11) on ERDA letterhead, this order was given to all ERDA offices: “The following booklets should be removed from circulation and destroyed. These publications do not reflect current policies.” The list of booklets to be banned or burned includes: “The Economics of America’s Energy Future”; “Nuclear Power and the Environment”; “Atoms on the Move”; “The Economics of Nuclear Power”; and “The Breeder Reactor.” (12) These publications were not written to be “policy statements, but were objective descriptions by scientists of various aspects of nuclear power. (13)

But, the most dangerous forgery that the Energy Secretary feeds the President and directs him to throw up to the American people is the lie that the most energy efficient population in the world is the most energy wasteful and slothful. And this lie is justified through the same technique of skewed models to premise a desired conclusion. In fact, the relevant calculation is not Mr. Carter’s units of energy consumed per capita, but *units of energy used per unit of GNP produced* — and by this measure, the United States leads the world in efficiency and the U.S. working class leads the world in productivity. A cutback in energy here would force a cutback in goods produced for all mankind.

— Laura Chasen

FOOTNOTES

1. U.S. Central Intelligence Agency, “The International Energy Situation: Outlook to 1985,” April 1977.

2. Detailed, among other places, in the following press accounts: *Washington Post*, June 12, “CIA’s Soviet Oil Forecast Disputed”; *Washington Star*, April 25, “U.N. Experts Challenge the CIA’s Energy Warning”; *New York Times*, April 29, “CIA’s Gloomy Oil Estimate Disputed”; *Executive Intelligence Review*, Aug. 16, “Turner Report Debunked.”

3. S. David Freeman, “Energy: The New Era,” Walker & Co., N.Y., 1974. Of course this book also recommended the author to this Administration by its slanders of fusion energy and its strong push for solar and geothermal power.

4. The fraud of the CIA report was so clear that, long after its initial usefulness, Secretary Schlesinger apparently admitted that he did not really believe its conclusions; a small item to this effect appearing in the *Washington Post*. But when publicly questioned at his December press conference, he again stated his “agreement” with the fraud, simply further confirming the assessment of William Clements, Deputy Defense Secretary under Schlesinger, that the Secretary is “an intellectually dishonest person” (Quoted in the *Cleveland Plain Dealer*, Oct. 24, 1977).

5. The *Wall Street Journal* editorial on June 14 elaborates this.

6. “Activities of the Office of Energy Information and Analysis (FEA) — A Report to the President and the Congress by the Professional Audit Review Team,” Dec. 5, 1977, GAO.

7. George R. Hall is the godfather of one of Schlesinger’s children, having met Schlesinger when they were both professors at the University of

Virginia, and having been taken by Schlesinger into the various agencies he has headed during his diversified government career.

8. “Nuclear Power: Issues and Choices” — Report of the Nuclear Energy Policy Study Group, sponsored by the Ford Foundation and administered by the MITRE Corporation, Ballinger Publishing Co., Cambridge, Mass.

9. “ERDA Authorization Hearings for Fiscal Year 1978 on Nuclear Power: Issues and Choices,” hearing record of the Committee on Science and Technology, U.S. House of Representatives, April 1977 (hearings held March 31, 1977). Pages 46, 41, and 43 are quoted here. (Estimates of the former Atomic Energy Commission for U.S. uranium reserves were also sharply lower than the Ford-MITRE estimates — see AEC Report — WASH 1242, 1243.)

10. Letter from Carl Walske, President, Atomic Industrial Forum, to Secretary James R. Schlesinger, Oct. 21, 1977.

11. Memorandum under the signature of Edwin E. Stokely, Assistant Director for Communications Services, Office of Public Affairs, ERDA, dated April 14, 1977, titled: “Re: Removal of Publications from Distribution.”

12. Senator Harrison Schmitt put a strong statement in the Congressional Record of May 18 condemning this bookburning, the MOPPS book burning, and the firing of USGS’s McKelvey.

13. Although Schlesinger did not directly control the ERDA bureaucracy in April, he headed the energy policy making staff, and ERDA personnel of course all knew he would be taking charge of their operation as soon as the Department of Energy was officially constituted.

Top U.S. Strategist Charges:

'Uncle Sam Divorces Technology'

At a recent meeting of the Los Angeles Town Hall, Stefan T. Possony of the Hoover Institution of Stanford University took the U.S. Carter Administration to task for its policy toward national energy development and its antitechnology diplomacy. Entitled "Uncle Sam Divorces Technology," Possony's speech (excerpted below) to representatives of Los Angeles's industry, finance, and civic associations is indicative of the convergence of leading U.S. strategic thinkers toward active support for an energy development and economic growth-based national defense policy. On Jan. 24, Possony will address a New York conference on Middle East Peace and Economic Development on the issue of nuclear fission and fusion energy sponsored by the Fusion Energy Foundation.

About 1000 years ago, by 1000 A.D., our grandfathers, 40 times removed, assumed the men on earth would close business on 31 December 999; and, on 1 January 1000, all earthlings would depart on a trip to heaven or, more likely, to hell. Today, we still are standing at the same point of intellectual acumen. Or rather, we have been reverting to such immaturity ever since U.S. political parties and pressure groups have been turning against technology.

Antitechnology has been practiced in many countries, including Chiang Ching's China... By contrast, no anti-technology movement ever occurred in the USSR of the Kremlin's generals and the Academy's scientists.

Prominent physicists from the U.S., the USSR, Canada, France, and Japan, on November 11, 1977, issued a statement in Fort Lauderdale, Florida, and noted that the world's living standards and the size of "disadvantaged populations" would continue to rise over the next several decades. Hence, they said, demand for resources would be increasing also. "Failure to meet this demand will result in extensive evil such as poverty, starvation, unrest, epidemics, riots, and wars."

...In comparing the U.S. with foreign countries like Japan and West Germany, former Treasury Secretary William Simon recently called attention to the decline of American productivity. He declared: "Our country is drifting to the edge of the waterfall. If we don't make our voice heard soon, it won't make any difference any more."

What is going on? The U.S. is acting as though it deliberately decided to go back on technology, or much of it. Washington is not too explicit about its true objectives, but by one means or the other, it is trying out Rousseau's return to nature.

This policy is not only suicidal, it also is entirely impractical and thus insincere. No modern nation can ever

return to nature, let alone to nature as the romanticists depict it... No party ever risked to run on a zero-growth platform, but this is the policy which is being enacted. They do or don't know what they are doing. Either way there is no reason to forgive them.

It is asserted that technology depresses the quality of life — a teepee is better than a brick house. "Small is beautiful." Never mind that agriculture without machines, electricity, and fertilizers cannot feed a large and growing population, as the USSR has been proving for half-a-century. Never mind that American agriculture, which is industrialized, is feeding millions beyond our shores. Nuclear electric power generation is said to increase the danger of war — superstitions about nonproliferation have similar effects as the belief in witchcraft had 500 years ago. Why is it never mentioned that shortages of energy unavoidably cause huge disasters such as disease and international conflict?

Investments in technology supposedly delay the abolition of poverty — the opposite is true. During the last hundred years or so energy and technology effectively battled poverty — theirs was the only successful war ever waged against poverty. The victories in this war were not won by politicians but by industrialists, including the "oil barons."...

We are also told that technology cannot solve our problems because we are running out of resources, and hence are unable to supply an increasing population with growing amounts of industrial goods. We are not running out of resources. This pretext merely serves to hide the fact that today's Washington is not interested in creating new technologies.

...The marriage between science and politics never was a good one, but now a condition of near divorce has emerged. Furthermore, in a democracy, the people themselves must ultimately decide whether they want to return to the donkey and the bicycle, and to the candle and the outhouse without lock and with an open heart on the wooden door. Don't forget: if there is regression, it is the population at large — the faceless voters and non-voters — who will be the primary victims of reduction. Does anybody volunteer to become an executioner for ecology? No one does. Yet the lords of purges never lack helpers. It is the people who will decide who shall die in the process.

To vote and act wisely, the people must be kept informed. Democracy cannot be practiced effectively by uninformed or misinformed voters. Freedom of speech does not imply any tampering with the news. Yet doctoring the news, which is happening once again and soon after Watergate, remains a pastime of political partisans. The concealed pseudo-elite which is longing to dis-

mantle U.S. industry and power is trying to protect itself through news blackouts.

Unbelievable? Just as unbelievable as the fact that even patriotic politicians sometimes wish the people to remain uninformed about the facts which really matter.

Let us see how well informed the present sample of the educated reading public is: Allow me to ask you a number of questions...

Question 1: In Btu's, is the proven world reserve in coal bigger than that of oil? (Majority response: yes). Correct. Now is the U.S. reserve in coal bigger than that of oil? (Majority response: yes). Correct, but the most recent estimate of coal has gone up...

Question 4: Who heard about gas hydrates? (No response). Those are frozen methane. World deposits are estimated by the Soviets at 30 million Q, which is the 60,000 Q estimate of the U.S. coal deposit multiplied by 500. The hydrates were discovered by the Soviets and are globally distributed. The find was confirmed by the U.S. through exploration by a Glomar vessel. This information never surfaced.

Why was the news about this dramatic change suppressed? Dr. Vincent McKelvey, the Director of the U.S. Geological Survey, was fired when he talked publicly about vast amounts of pressurized gas. Dr. Schlesinger referred to it as "brine" and implied that the deposit was 1 percent of the magnitude indicated by the top U.S. geologist...

A divergence of two orders of magnitude between the two supposedly most knowledgeable officials indicates skulduggery. How come the press did not pick up this self-revealing fact?

Question 5: Did you hear that Leonid Rudakov, top electron beam expert of the USSR, briefed several U.S. labs on electron beams and provided to the U.S. new theoretical insights of crucial importance? This fact and Rudakov's information were classified by the U.S. government — a totally illegal act. (No listener had heard about the incident.) The abuse of secrecy regulations was covered in *Science* (October 8, 1976, p. 166 — this incident happened under President Ford.) But the silencing of Rudakov was approved by the press. The secreting of Rudakov's material does not, of course, serve to prevent the USSR from learning American secrets. It rather serves to keep America uninformed about the fallacies of our fusion policies...

For a change, the Soviets did cooperate seriously. Rudakov gave us data declassified for the purpose of informing and helping us. We keep them secret because, as I said, these data expose U.S. nuclear policy as being self-defeating and incompetent. Professor Andrei Sakharov who understands the situation on both sides has warned the U.S. that it must activate and accelerate its nuclear programs, nearly all of which seem to be in disarray.

I'll skip a question about your knowledge on Soviet charged particle beam weapons. This news emerged one year ago and, meanwhile, has been artfully confined to the memory hole. The particle beam technology is interrelated with the fusion technologies we have been discussing. If and when the USSR perfects the charged particle beam weapons, the U.S. may be suddenly and effectively disarmed.

Question 6: Did you hear that Nobel Prize Laureate Nikolai Basov, a top Soviet scientist and also member of the Supreme Soviet, disclosed — early in November 1977 at Fort Lauderdale, Florida — that in the Lebedev Institute of Physics the breakeven boundary of power generation by fusion was crossed? This means that the scientific and economic feasibility of fusion power may have been proved experimentally. The Lawson criterion, which defines the magic number, was exceeded by a factor of more than five. Did you hear about this Soviet claim? (No one had heard about it.)

The Soviets can be proud of their pioneering achievement. Their accomplishment could be to our benefit for the simple reason that we need more energy than any other society. The Administration's sour silence is deplorable and shameful.

The Lebedev accomplishment is due to new theoretical knowledge which the Soviets have been giving us freely, thus accelerating our own program far beyond what the Carter, Ford and Nixon Administrations, all three, wished to concede...

Basov came to this country, not to buy himself a Brooks Brothers suit, or to admire the hotels of Miami Beach. He came on practical business: in order to proceed from the scientific accomplishment in the *laboratory*, lasers and other implements are needed to establish a fusion power *industry*. Lasers must be improved and be mass-produced. Cooperation on these tasks between the U.S. and USSR — and others — would very much accelerate the coming of commercial fusion power throughout the world.

Basov came to propose such cooperation. Shooting from the hip with a dead bullet, we turned him down cold and President Carter may not even know about it. If such cooperation is inadvisable — why? — should this determination not be discussed by Congress? This matter, which can be explored at leisure, is too serious to be left to arbitrary judgements.

Washington sent our biggest magneto-hydro-dynamics generator to Moscow. We eliminated most of our own MHD program and, therefore, although we had built this top-technology generator for the U.S. fusion program, we cannot use the equipment ourselves. Now the generator is incorporated in the Soviet fusion program. Washington does not really want Moscow to reciprocate; and it does not by any means wish to accelerate fusion.

Basov would have been a most honored guest if he had carried bad tidings about the feasibility of fusion power. But he told us it *does* work...

The press was told that U.S. scientists don't agree with Basov's data... But is this skepticism a reason for the press not to report about Basov's sensational disclosures which by themselves — whether entirely correct or not — are news of the most "newsy" kind? *Not* to reprint Basov's speech and not to tell about his offer for genuine cooperation either suggests censorship or poor journalism.

Still, a four-paragraph story was printed in *Science News* (November 27, 1977). The story implied doubts about Basov's competence, and his measurements which may not have been "computed in the same way as it is done in the U.S." Indeed, they were not, because the experiments were derived from a fundamentally dif-

ferent theory about plasmas. The story also created the impression that Basov — a physicist! — does not quite realize the importance of heat and temperature. Needless to say, he had commented on this factor himself. Meanwhile, our scientists seem to be adjusting the U.S. fusion program in prudent silence...

An interagency task force of U.S. government auditors reviewing the collection and accuracy of government statistics found that in the energy field the Administration is manipulating the numbers to serve its political purposes. The Office of Energy Information and Analysis is reported to have made 21 invalid or doubtful changes in the assumptions controlling computer programs designed to test energy policy options.

A "Fusiongate" beckons in the clouds, but it does not interest the press. Forever Watergate, is their motto. News which is unfit to print is preferred to news which the country needs for survival.

The American Revolution opened the road to constitutional government and human rights. Our form of government allowed the creation of a free economy; steady increases of productivity followed. Free speech became the cornerstone of technology which, largely through the free market of technology and capital, built the electric, petroleum, automobile, aviation, electronics, chemicals, etc. industries, improved health established ever more jobs, and provided constantly rising incomes (in inflated and real dollars).

When windmills constituted new technology they easily defeated Don Quixote, the champion of going obsolete. The fusion reactor will, predictably, eliminate the political magicians who still believe they are able to conjure away the overriding necessities of our age. We can only hope that in building such a reactor the U.S. will not trail too far behind the USSR.

Marshall Gives Money To Start Up Youth Employment Programs

The Department of Labor's announcement last week that it has decided where to allocate nearly \$125 million in youth employment money marks the opening of an offensive aimed at creating a force of school-age youth to be deployed both as fodder for race riots and to depress trade union wage scales.

Under the plan, which is to be tested in six major cities and selected areas of several others, youth between the ages of 16 and 19 in areas of high unemployment will be guaranteed up to 20 hours of work a week during the school year and 40 hours a week during the summer at wage rates at or slightly above the minimum wage.

The limited size of the program and its label as a "test" are totally misleading.

For all effective purposes, the Department of Labor headed by British sympathizer F. Ray Marshall, with the Department of Health Education and Welfare, headed by British ally Joseph Califano, have already decided that what remains of the U.S. public educational system is to be overhauled and turned into a system of recycling human labor.

Since the collapsing U.S. economy does not produce jobs for skilled workers, doctors, scientists, teachers, etc., the school system must become a conduit for placement of low-skilled workers into both public and private sector jobs through "work-study" type programs.

"I don't know where the jobs will be," said a Labor Department spokesman this week. "It depends on the city. Most will be low-skilled...the key thing is to keep the kids off the street and give them some discipline...ghetto kids don't give a damn about math and science. They care about jobs. Give them a shovel and a paycheck..."

Reshuffling

The more general manpower policy defined by such programs has been politely called "reshuffling of unemployment," given that there are a fixed amount of jobs available in the private sector, Eli Ginzberg, a self-proclaimed admirer of Nazi manpower policies, and others have argued, decisions have to be made as to who will get these jobs. Unemployment should be "reshuffled," with white semi-skilled workers being replaced by ghetto youth working at lower wage rates and skill levels; what such youth lose in skills can be made up by having larger numbers of them working in redesigned job categories.

The net effect of widespread implementation of such a pool of recyclable ghetto labor would be to simultaneously create the condition where sons are scabbing

on their parents while driving down overall union wage rates. "If you are talking about the unions," said a Labor Department spokesman, "we are going to scare the hell out of them by injecting these kids into the labor market." While he refused to be quoted, the spokesman indicated "off the record, that wage rates will have to come down to a more realistic level, kids are going to do their jobs for less, and we give them access to the jobs..."

This aspect of the program has been prominently featured in several think tank pieces (see accompanying section) in an effort to "sell" it to desperate and backward leaders of the business community. Such a sale is predicated on making the "buyer" believe that he has no option to expand the productive economy and therefore he had better accept a tax break or a wage subsidy thrown his way by the government. A second selling point is made that support for such programs are an effective buffer against the more expansive and openly anticapitalist policies espoused by the Institute for Policy Studies (IPS) and its Congressional supporters like George McGovern.

Riot Creation

At present, massive, liberal spending programs for such job creation don't have the ghost of a chance of passing through Congress. To get their money such individuals are, therefore, openly conspiring with such people as Jesse Jackson to stage riots in the nation's ghettos to override conservative opposition.

Marshall and Califano, as well as Pat Harris in the Department of Housing and Urban Development, are consciously deploying their existing funds strategically to create the precondition for riots. The Youth Employment funds allocated this week are small when compared with tens of billions of dollars needed to create "full recycling" apparatus; they become significant when viewed as potential "walk-around" money to prepare youth shock troops for riot activity. The susceptibility of especially ghetto youth for such deployments appears to be the principal reason behind the increasing targeting of urban youth employment programs for government funds. "Ghetto youth especially have a tradition of parliamentary organization," said a DOL spokesman. "Street gangs make productive work units if they are handled right...ghetto youth can become an explosive force for change..."

—L. Wolfe

'Right-Wing' Fabians Try To Sell Youth Slave Labor To Business

We excerpt below from three sources: a new report issued by the neo-Fabian Committee for Economic Development (CED) entitled "Jobs for the Hard to Employ," drawing particular attention to "work-study"-type youth slave labor programs borrowed directly from recommendations by Eli Ginzberg's National Commission on Manpower Policy; to a policy discussion conducted by the Rockefeller Foundation and published as a working paper on "Youth Employment"; and an op-ed appearing in this week's New York Times by British linked economist Lester Thurow, a participant in the Rockefeller Foundation discussion on Wages, Subsidies, and Youth Unemployment.

We emphasize that the fascists of the IPS-McGovern stripe have no basic disagreement with the policy thrusts outlined below; their major disagreement is in the size of the overall program — which they intend to correct by organizing race riots.

Integrating Classroom and Workplace. The most promising and potentially far-reaching means of bringing schools, youths, and the world of work closer together is through increasing the ways in which the teen-age years can become a time for gaining experience through *both* schooling and working. Schools need to take as part of their responsibility the arranging of work-experience opportunities and the creation of flexible classroom schedules that will allow youths to take advantage of those opportunities. Employers need to create part-time work-experience opportunities for youths still in school and to enter into joint training-education enterprises with their local school systems. Such arrangements have major direct advantages for schools, youths, and employers alike.

*Schools will be seen by youths as more relevant to the employment world, of being able to demonstrate a clearer connection between basic education and employment, and — by bringing paid work within the reach of students — reducing the lure that employment has in attracting youths out of the schools altogether.

*Youths will have the opportunities to test the employment world *before* leaving school, to gain exposure to one or more jobs before making a choice, to work into a regular adult job on a junior apprentice basis, and to identify their educational weaknesses while there is still time to correct them.

*Employers will have the advantages of stabilizing their supply of entry-level workers through close working arrangements with the schools; of getting workers they have trained on the job and on their

equipment, rather than youths with schooling but without the maturity that comes with job responsibility; and of being able to point out to schools those educational defects in students that can be remedied by the schools before employers hire young people as regular workers...

Thus, integrated education and work efforts have already proved practical. They can be carried out locally. They can be started wherever a school system and employers are willing to work together. There is no need to wait for federal programs or government money (although added assistance is now available under the new youth employment legislation).

But despite the proven advantages of integrated education-work efforts, the total scope of existing programs is far less than seems feasible. For example, Chicago has a variety of well-run cooperative education programs, but they cover only 2 percent of the city's public school students. Elsewhere, some of the more promising efforts in this field have been discontinued because of recession-induced cuts in city budgets. This happened to the pioneering continuing education program in Atlanta, which operated on a four-semester basis and required high school students to have at least one-quarter of responsible work experience to be eligible for a high school diploma.

We recommend that businesses, schools, unions, non-profit organizations, and other community groups work together to expand the volume and scope of cooperative education programs linking school and work and that the federal government make greater use of incentive funding to encourage effective work-study programs. We urge business to take the initiative in developing such cooperative arrangements (emphasis in original)...

The following are excerpted from a Rockefeller Foundation working paper on "Youth Employment"; the first is taken from a paper by MIT and Sloan School of Management Professor, Lester Thurow:

The elasticity of substitution between different types of labor (men-women, young-old, etc.) is presumably much higher than that between capital and labor. As a result, a reshuffling of unemployment (lowering some real wage rates relative to others) is apt to be less costly than job creation. The reshuffling will be resisted, but this does not obviate its usefulness...

Similarly, the elasticity of substitution among different young adults is apt to be quite high. A wage subsidy or voucher system for some, but not all, teenagers would be apt to have a major effect on reshuffling youth unemployment. Since no young adults are in short supply even during periods of high employment, a reshuffling policy

cannot be justified in terms of reducing inflationary pressures and allowing macroeconomic policies to expand. Instead, the policy must be justified on social grounds. High unemployment among minority youths causes a variety of problems that would cease to exist if some of their unemployment were reshuffled to higher income white youths.

But if reshuffling is politically impossible (and it may well be) then direct federal job creation is the only policy that can be used to reduce youth unemployment... People would have to be fired for poor job performance. A public reputation would have to be established for requiring rigid standards of work performance. If the program is seen as slack on work discipline, it could easily end up being counterproductive...

It is also important to recognize that the standard social solution — more formal education and training — is not an answer to the problem of youth unemployment. Young people are better educated at the moment than older workers. There are labor surpluses among youths at all educational levels. The problem is finding a job and acquiring the work experience that can lead to economic success in later life.

In the end the choice is not between incentives for private employment and direct federal job creation, but the correct mix of these two possible solutions — a mix that will primarily be determined by political feasibility.

The following are remarks made in a Rockefeller Foundation panel discussion by Yale "economist" James Tobin:

It is a pretty obvious idea that if you can find a group of workers who have high employment rates but whose employment is relatively unaffected by the wage increases that occur naturally in the economy and get translated into price inflation, then you can get increased employment or a greater reduction in unemployment for the same cost in higher rates of inflation than if you just stimulated the economy in a generalized way...

Nevertheless, we found, at least in theory, that you could get some improvement in the overall rate of unemployment that we could aim at without having an acceleration of inflation, by shifting demand toward groups like young adults and teenagers. But this would be only at the expense of reduced employment of prime workers.

We made a rough, back of the envelope type of calculation that, for example, a hundred jobs, direct jobs for teenagers and young adults, might increase the permanent amount of unemployment of prime workers by only sixty, and forty compensating jobs would be lost — some of those jobs at the expense of other teenagers, but most often among the prime group. That would come about through an adjustment of relative wages in the longer run.

Jesse Jackson's Push: 'We Need Direct Mass Actions In The Street'

Over the course of the last week, this news service has corroborated reports that the Fabian Sen. George McGovern (D-S.D.), along with key members of the cabinet, several members of Congress, and operatives of the Institute for Policy Studies are conspiring to foment race riots with two immediate objectives: first, to topple Jimmy Carter from the Presidency, and second, to create the climate for passage of a fascist "urban recovery" program. We offer below, as evidence to that effect, excerpts from an interview with the office of Jesse Jackson, the director of People United to Save Humanity (PUSH); Jackson was identified last week by a spokesman in Sen. McGovern's office as a "man we are relying on to help us get things going...":

Let's face it — Jimmy Carter lied to us when he said during the election that he was willing to rebuild urban America...he absolutely is refusing to spend the money needed to do the job. Look what he allowed to be done to Humphrey-Hawkins; it's gutted, it's almost worthless...That is because he has listened to those fiscal conservatives who he put into the cabinet. PUSH believes that the Federal government must provide a job for every able-bodied person who is willing to work; that is the core of any urban policy. We take a look at things like the new youth employment grant and say, 'nice

idea, but where the hell is the money to make it work.' The program is real peanuts.

Well, we and our people all over America in the ghettos are getting damn fed up with Jimmy Carter. If he won't move, we have to look for people who will talk our language — a comprehensive national urban program, with plenty of money behind it. George McGovern is saying that. (Secretary of Labor) Marshall and (HUD Secretary) Pat Harris support the idea, but Carter won't listen to them. Some of us here don't think that Carter will ever wise up. He's through.

But we are going to have to teach people like Carter a lesson in real politics. We are going to educate these fools through mass, direct actions in the streets. The ghettos are ready to explode from neglect. It is not a prediction but a fact: there are going to be worse riots than the 1960s unless something is done. But there has to be a method to this madness. When the ghetto explodes into chaos and violence, Jesse Jackson and PUSH have to be ready to channel this frustration into creative protests around a program. This is mass drama and we have some experience in staging it. Cloward and Pivens (founders of the 'Welfare Rights Organization' - ed.) say that blacks should abandon electoral politics in favor of violence and chaos in the streets. Well, we say, both are probably necessary....

So that creates — not only in the short run...but also in the longer term, a lot of political and social problems. It might well be worth it, and I say it would be worth it from the social point of view...

If unemployment were reduced, say, to 4.75 percent or 4.5 percent — and at the same time demand were manipulated in favor of the group with the highest unemployment rate — you would end up with the prime people having a higher unemployment rate than they do now. That higher rate of unemployment would be necessary to discipline their bargaining power — their tendency to get wage increases from the labor market. That is the point I was making.

Below are remarks also from the panel discussion, by Wharton School of Business Professor Bernard E. Anderson:

Let me suggest what I think would be an innovative and creative program. Take the question of the dreadful condition of housing in the inner city. There is housing abandonment in North Philadelphia on such a scale that you can go block after block and see nothing but boarded-up houses. Why wouldn't it be possible for the mayor of Philadelphia to design a program that would do several things. Number one, merge job-training programs, money for youth, with community development money, something which is difficult to do because of the way the regulations are written. Then, you can take these houses, many of which are owned by the city of Philadelphia, and

rehabilitate them, using some unemployed skilled craftsmen as supervisors and training young people, on the job, in the skills necessary to renovate these houses, thereby killing two birds with one stone. That is one thing that can be done.

These remarks by British-linked economist Lester Thurow appeared in an op-ed column in the New York Times, Jan 10:

Since short of genocide there is no policy for altering relative labor supplies, the policy options all lie on the demand side. One can either issue a set of commands ordering firms to change their hiring practices, or one can adopt a system of wage subsidies designed to entice employers to alter their hiring practices. Realistically the only option is the wage subsidy.

A wage subsidy is like a reduction in the minimum wage without the disadvantages that such a reduction entails. Employers respond to a lower net wage in either case. But with a wage subsidy, all employers, not just those who hire at the minimum wage, have an incentive to employ relatively more workers from economic minorities such as the young...

This means some system of wage subsidies is essential. And young people are a good place to start since they constitute a group that includes all racial and sexual groups. This is not to say that wage subsidies are ideal. They will undoubtedly be expensive and messy. There simply isn't anything else.

Not On Carter's List For Slave Labor Money

Hartford, Conn., so often the test tube for every "urban policy" gimmick that comes down the pike, was not on the list of cities targeted by the Carter Administration for Department of Labor funds for a Youth Jobs Program. While not the final announcement of federal allocations for youth slave-labor jobs, Hartford's conspicuous absence from this week's list of "lucky cities" is a testament to the public opposition raised by trade union officials to the Carter Administration's intent to dismantle the cities and funnel youth into back-breaking jobs at starvation wages.

William O'Brien, Director of the Greater Hartford Building Trades, and Robert Murray, president of Local 35 of the International Brotherhood of Electrical Workers, last week issued an open letter to Secretary of Labor F. Ray Marshall telling him to cancel Hartford's application for \$15 million in Labor Department funds. They issued their letter after a Jan. 4 joint meeting between Hartford's Mayor George Athanson, local unions, and the U.S. Labor Party to discuss opposition to such grants. The mayor also dispatched a letter to the Labor Department urging them to cancel the funds.

Immediately after the publication of the open letter in the *Courant* on Jan. 6, Hartford AFL-CIO President Dorsey hastily dispatched a letter to Labor Secretary Marshall pleading for funds for a youth employment program. His action links him to the pro-Mondale wing of the AFL-CIO, which has publicly endorsed the Administration's fascist urban programs.

Now that the grant has been denied, both the major TV station in Hartford and the *Hartford Courant* editorialized against Mayor Athanson, the Building Trades and the IBEW for committing a "great injustice" against the city. They called for a regroupment of pro-slave labor forces to make a second bid for the funds.

No To CETA

Interviewed by the *Hartford Courant*, Jan. 6, Building Trades Director O'Brien made the issue clear: "The Building Trades took an awful shellacking in the CETA program. We had kids painting houses while their fathers were out of work. We don't want this money to be used against us." CETA was one of the first union-busting urban jobs programs sponsored by the federal government.

Similarly, IBEW President Murray told the *Courant* that the city's coordinator of federal urban programs, Deputy Mayor Nick Carbone, had "put pressure on us to take people in under Affirmative Action and we did. Then the city gave the federal money to nonunion contractors and nonprofit agencies." The *Courant* implied that the police department and the municipal unions had not joined with the IBEW and Building Trades in opposition to the youth jobs program only because they were threatened with budget cutbacks.

Test Tube For Fascist Programs

Hartford has long been the center for experimentation in union busting, slave-labor programs under Carbone's

guidance. The counterinsurgent Carbone, who is directly affiliated with the proterrorist Institute for Policy Studies, was recently touted in a newsletter put out by Lee Webb of the Conference on Alternative State and Local Public Policies (a front for the neo-Fabian Institute for Policy Studies in Washington) for his pioneer work in getting "welfare recipients and municipal unions" to participate in schemes to pass the poverty around.

Last year, Carbone, along with Brian Hollander from the Hartford Institute for Criminal and Social Justice, designed a program to circumvent the Davis-Bacon Act, which requires construction workers in the area to be

unionized. Carbone and collaborators smuggled in low-wage laborers under the rubric of "weatherizing" homes and were allegedly employed in the Community Energy Corporation.

Hartford has many such anti-union nonprofit public corporations, several short-lived and all modeled in some way on the so-called Maverick Corporation. That corporation hires drug addicts and ex-convicts at minimum wage for housing rehabilitation and furniture refinishing. The firm spends \$200,000 each year in government funds and is sometimes a nonunion subcontractor for unionized firms.

Maverick Corp. A Pretty Impressive Show, Says Ford Foundation

Last summer, the Ford Foundation conducted an on-site evaluation of Hartford, Connecticut's Maverick Corporation, a nonprofit public corporation designed to bust the city's trade unions. The following description of the program, supplied to EIR by a source in Hartford, shows the operation to be little more than a 17th century workhouse.

The Setting: Most of the Maverick work sites are set in a 67,000 square foot plant formerly owned by Emhart Co., a bottling concern. A clear example of the use of the Director's business skills is his negotiation with Emhart of a deal whereby Emhart sold Maverick the building for \$300,000 and has contracted with Maverick for machine dissembling, stock warehousing and inventory, and occasional machine assembly thereby providing Maverick with the income necessary to purchase the building. Most of the plant is a huge open space cut up into hives of activity...Across the street is tire recapping and several blocks away the housing rehab project. Every area was active except furniture stripping where one supervisor was recently hospitalized with a heart attack. A gas station, one of the first enterprises, has recently closed as uneconomic and unsatisfactory to operate.

Contracts for goods produced by Maverick's enterprises come from private and public sources. There are four salespeople hustling jobs. The City of Hartford has passed a resolution favoring Maverick as a provider of goods and services where possible — a return on their substantial CETA investment.

Following precepts that the supported work experience should approximate as closely as possible the real world of work, Maverick operates very much like a regular business enterprise. Most employees have walked in (some on referral) and if eligible...are either employed or assigned to the control group. There is a two hour orientation on Maverick's rules and regulations (mostly attendance). Job assignments are on the basis of current vacancies; often newcomers start on housing demolition.

Organization of program: Participants include ex-offenders, AFDC recipients and youth. A new category of

youth "independent heads of household" will be discussed below. 88 out of the current population of 225 are youth (according to categories; some of the ex-offenders are youth too, so the percentage is higher). None are high school graduates nor have been employed for 30 of the past 60 days. All start at \$2.50 an hour with an immediate incentive bonus of getting \$2.67 an hour if on time every day that week. Twelve months is an unalterable cut off date...

Among the "real work" practices of Maverick are the absence of any formal grievance procedure, individual problems handled on an ad hoc basis with the Director's having final say; no vacations; holidays paid only if employee is present for work the day before and day after the holiday. An incentive gimmick used by Maverick is based on non payment of social security. As a non-profit agency it is allowed not to pay into social security. The Director believes the \$5.85 a week out of the employee's check which would go to FICA has more meaning for them as cash than as social security especially for 17-20 year olds....

Certainly Maverick is perceived as a success in Hartford; it is employing 225 people who would otherwise be unemployed, it is generating \$1 million in revenues, it is providing some necessary low cost goods to the city. It has become the focus of two associated efforts — housing rehabilitation and an Able Bodied Youth program.

Housing Rehabilitation: In order to have more work to do, Maverick purchased for \$1.00 from a bank a condemned six family dwelling on Elmer St., a few blocks away from Maverick's factory. They rehabbed the building for \$72,000 and are presently renting five of the apartments for a total income of \$15,000. They cannot sell the house because of the neighborhood. In concert with Hartford's own plans to rehabilitate parts of the city and with the blessing of Nick Carbone, the all powerful chairman of the City Council, Maverick has taken over the total upgrading of a six-square block area (including their first house), 175 structures...

Maverick, so far, owns the buildings it is rehabbing. Income from sales or rent go back into the project.

Able Bodied Youth: Part and parcel of the housing effort is a new program, authorized by the state legislature, whereby 100 able-bodied youth ages 17-20, independent heads of household on general assistance will be employed by Maverick in the housing rehabilitation. The crews will also include regular

Maverick employees...

Comments: Maverick certainly looks good: there is hustle and bustle and visible products. The housing rehab program makes sense (and fits with the other ventures in this area we've seen). The results in terms of the most important measure — the employment (and eventual labor force success) of heretofore unemployed or unemployable persons — are unclear...

Dwight Eisenhower's Soviet Friend

The following article was issued on Jan. 1 by Lyndon H. LaRouche, Jr., U.S. Labor Party chairman.

The current issue of the East German soldiers' newspaper, *Volksarmee* features — to most significant effect — a republication of a Moscow *Literaturnaya Gazeta* 1974 article on Soviet Marshal Zhukov's leadership of the battle against Japanese forces in the East at the onset of World War II. This republication of that 1974 article has a threefold significance which every U.S. general and field-grade officer — and responsible political figure — ought to grasp most profoundly.

The First Aspect

First, the Warsaw Pact forces have specific crucial, interrelated potential qualitative advantage. Subjectively, the kernel of Soviet military leadership is the combined forces of the Soviet officer corps and of the scientific community gathered around the modern representatives of the Leningrad-centered task-force headed up by Academician Vernadski (1). This intellectual force rests upon an economic basis most suitable to rapid qualitative advances in warfare capabilities

The longstanding, deeply-ingrained commitment to high-technology-oriented rates of capital formation is the optimal climate, the essential climate for realizing and otherwise nourishing high rates of basic-research advances in physics and related fields. Given a highly cultured and politically powerful officer corps, that capability for scientific progress will tend to shape the most effective warfare capabilities.

Despite the weakening influence of "systems analysis" and related British influences in Warsaw Pact political command, the indicated Soviet warfare capabilities have been realized to the indicated effect and that nation is moving past the edge of a wide range of qualitative further advances.

Pitted against the British-evolved modern, rewarmed versions of 18th century "cabinet warfare" doctrines ("limited nuclear wars"), this Warsaw Pact force has a marginal war-winning advantage for the total, intercontinental thermonuclear war which "office boy" commanders such as Alexander Haig would find themselves actually fighting.

Responsible commanders understand and broadly concur with that estimate. Despite the doctrine of strategic "madness" which the British-influenced Rand Corporation prints out, and the strategic weapon of "madness" Henry Kissinger began proposing after his indoctrination at London's Tavistock Institute, every qualified professional knows by learning and instinct of

command that no competent commander will stake the political future of his nation on less than the total deployable capability. There is no doubt that Soviet commanders are in full agreement with Machiavelli's principles of warfare on this account.

The responsible U.S. commander is confronted with a twofold strategic problem vis-à-vis Soviet capabilities as such. First, objectively, he knows that the only sane comparison of Warsaw Pact versus U.S. forces is based on the assumption of total thermonuclear war as the context within which the continuing deployment of ground forces must occur. Second, he knows that even if U.S. led forces possess strategic parity with Warsaw Pact forces by that objective standard, such objective parity locates the decision in the relative subjective qualities of command and forces in depth. Most crucial in respect of the subjective component is the strategic doctrine which shapes the development of and governs the deployment of forces.

Broadly, responsible U.S. commanders reject the approach to strategic estimates associated with Robert S. McNamara. They had their bellies full of that sort of nonsense in Vietnam. Weapons-system individually matched against weapons-system is the budgetary estimate of accountants who have no conception of actual warfare. Even within existing, wretched strategic estimates, one would loudly complain of the point that Warsaw Pact doctrine for armored vehicles stresses personnel security for conditions of maximum ABC battlefield and line-of-march contamination — a tank or armored personnel carrier filled with dead or demoralized troops is a nullification of its other capabilities.

In general, the shaping of forces-development and forces-deployment policy in depth for NATO forces is based on the doctrines of "limited war" from the command-level downward. This means that the probable military response of NATO forces will be significantly below its objective capabilities because of the misuse of those forces in a kind of "cabinet war" doctrine ingrained with the aid of misconceived "war games" and "war games" simulations. The commander who has assimilated the "limited war" doctrine is profoundly disabled under conditions of actual, total war. This point was proven during the American Revolution, in the Carnot Reforms (2) of the French army, and in the U.S. Civil War. The commander who rejects those and the many related lessons of principles is one who is prepared to lead his forces to disaster.

Outstanding Warsaw Pact commanders are profoundly sensible of the indicated defects in the NATO command posture. Like General Dwight Eisenhower's

friend, Marshal Zhukov (3), the best Warsaw Pact commanders place a quality of emphasis on political and other subjective aspects of force capability which is not matched on the NATO side. Put to war (either by attack or on the initiative of the Warsaw Pact political command) the heirs of Marshal Zhukov will fight as Zhukov would have them fight. They would exploit the cited and related subjective points of Warsaw Pact potential advantage to the utmost in search of war-winning decision.

The significance of the republication of the cited article is that it most efficiently articulates the thinking now being broadly reflected in current patterns of behavior of the Warsaw Pact command. The article has a double significance behind its immediate point, the immediate point of emphasizing Zhukov.

A moral mobilization in preparation for an increased expectancy of strategic confrontations is now under way, a development much accelerated by Soviet reactions to the break with Somalia. A posture of combative rage against the United States and West Germany is surging within various Warsaw Pact strata, including military strata.

Relevant elements of the Warsaw Pact command are refreshing their conceptions of how to fight war.

The second significance of the republication is classifiable as an overtone. However, as is usual with Soviet thinking, overtones are seldom very subtle. It contains a strong warning to the Soviet political leadership, that Warsaw Pact military force will be deployed according to what military commanders, as patriots, consider competent political strategic policy.

The Rage Against the United States

It is our information that Warsaw Pact political intelligence is being filtered through IMEMO and the allied USA-Canada Institute. Moreover, those filters have an iron grip on those channels of intelligence, to the point that IMEMO-Arbatovian policy perception of intelligence respecting Western Europe and North America is effectively under the control of British intelligence's agents-of-influence networks in the Warsaw Pact command.

This British intelligence penetration of Soviet leading circles has an ancient history and many threads, but among the most notable elements is British success in "doubling" two Special Intelligence Services agents, Maclean and Philby, and successfully peddling those two to the Soviets. This penetration became significant during the same period as sharp changes in Soviet policy, changes affecting the career and public standing of Marshal Zhukov.

As the recently resurrected case of George Blake (4) ought to refresh our memory, it has been repeated U.S. experience with British intelligence that this or that highly rated British agent proves to have been "doubled" to the Soviets — usually involving an accompanying delivery of masses of not British, but high-grade U.S. intelligence secrets. In some cases, as the cover stories have it, these persons sneak out of British prisons, are exchanged, or cleverly elude British security, and turn

up in the East, often later gaining trusted positions.

One ought not to be astonished that as such persons gain posts in the East, they lose none of their British ideology, but simply switch around a few slogans, in a manner appropriate to the prevailing doctrinal customs of their hosts.

One ought not to be astonished that individuals of this class, notably including Maclean and Philby, should use their positions in intelligence, nominally against the NATO countries, to influence Soviet intelligence perceptions to advantage of current British policy.

Our own Henry Kissinger, although not a "defector" from Britain, is currently, as during the 1950s, strongly reflecting the interests of current British policy — a reflection which is not unconnected to Henry's British intelligence indoctrination of the 1950s.

We ought not to be surprised that persons associated with the Humphrey and Kennedy factions of the Democratic Party, or of similarly pro-British ideological pedigree should, like Eizenstat, Mondale, Schlesinger, Brzezinski and Blumenthal be currently exerting their influence on U.S. policy-making to the disadvantage of the United States and to the decided advantage of the policies of Lazard Brothers and the Royal Institute of International Affairs in London. These persons of British ideological-factional pedigree not only act to wreck the value of the U.S. dollar — in the interest of London's current game — but Brzezinski, Mondale, and others nibble around the edges of State Department efforts and policies to the same effect.

Brzezinski and Mondale play close to the advantage of the London-linked Moshe Dayan against Israeli Prime Minister Menachem Begin and U.S. Middle East interests. Brzezinski and London stir up atrocities of the wet and other varieties on Warsaw Pact home-ground, careful to leave the "CIA" label implied. Brzezinski stirs up the Cuba issue in a way calculated to enrage Moscow against the United States — and impel Moscow more deeply toward London's embrace.

Add to this the British intelligence network embedded within the Socialist International, and include such British operations in France as Francois Mitterrand and the sundry Basque, Breton, Corsican and Polisario terrorist gangs, and also add British intelligence proprietorship over the PFLP faction of the PLO and "Carlos," as well as the Baader-Meinhof gang and the hoodlum spawn of Benedetto Croce and Einaudi in Italy.

This adds up to a Soviet leadership currently running blind and misled on the most crucial points of intelligence concerning Western Europe and North America — as well as in the Middle East, the Mahgreb, and southern Africa. What the Soviet leadership "sees" is a staged falsification of the real "outside world." That leadership is not responding to reality, but to what — with British-intelligence staging — it foolishly believes is the outer-world reality. What the "Big Brothers" in Moscow believes very strongly, most of the "Little Brothers" of Eastern Europe and other regions tend to echo and even to believe.

It is for those and related reasons that usually anti-British, anti-Fabian Soviet and other Warsaw Pact hardliners are mobilizing in support of the scenario imported from London.

The Second Aspect

It must be emphasized that the actual Soviet reaction will not stay within the bounds of London's Royal Institute desires. Contrary to Henry Kissinger's obsessive admiration of Rothschild protégés Metternich and Bismarck, the only notable successful strategic operations British intelligence has arranged during the twentieth century are the damage it has arranged for Britain's allies. The British are tactically clever in psychological-warfare aspects of intelligence, but strategically imbeciles — as the case of two world wars during this century ought to have firmly proven.

It must be remembered — only an ignorant person or an informed fool could pretend to deny it today — that British intelligence and related circles developed Hitler, put him into power, controlled him during 1937-1938 as a virtual puppet, and continued to aid his maintenance of power in Germany — for eastward purposes — until the fall of France. It set forces into motion which, taking on a life of their own, became to Britain a Frankenstein's monster it must desperately hope to be able to destroy.

Once certain forces within the Warsaw Pact command are set into motion, that motion undergoes a lawful self-development which can no longer be controlled by the British influences employed to steer it into motion. The British are like the boy lighting the short fuse to a 100 pound charge of TNT. After lighting he smiles confidently, "You see, I control the match."

Once Soviet perception shifts from the illusion of ordinary politics to the realism of war postures, the internal geometry of the mind of the Soviet command shifts abruptly, adapting to the experience of World War II, which leading commanders embody and in which the officer corps as a whole is deeply indoctrinated. This is a force which has devoted twenty years of visible thought and preparation to the objective of being objectively and subjectively capable of winning a total, thermonuclear war.

This represents a viewpoint I can thoroughly comprehend, but which the British or the likes of Henry Kissinger or Alexander Haig could not possibly even begin to grasp.

In the case of confused minds as Kissinger's, Brzezinski's, Schlesinger's, Mondale's or the Royal Institute, they have not only incurred the cumulative brain damage of their "cabinet warfare" strategic doctrines, but those "cabinet warfare" approaches to "war games" and "limited nuclear war" spring from the axiomatic features of their mental processes and outlook. In war, and in the contemplation of war, they are like goldfish who, going from one side to the other of a bowl, prove, by this "war game", that they have mastered swimming the Atlantic of total war. The constraints these British fools imagine to operate, do not exist once the threshold of a "limited nuclear war" is reached.

This involves the second principal concern facing every responsible U.S. commanding officer. It involves a principle emphatically enunciated by Zhukov. It is in particular the strategic concern of every responsible commander, whether in the Pentagon, in training command, in theater-command, down to the officer responsible for patrol along the Korean DMZ. To trigger an engagement with the Warsaw Pact forces such that a

conflict may erupt between the two total forces which does not represent a *causus belli* in terms of the interests of either force.

The condition under which such a danger exists are those in which one or both of the forces' commanders believes in the existence of a nonexistent threat from the other force. The present condition, in which the Soviet command is running blind, under effective British control of its perception, and is thus developing accelerated rage against the United States, is one of the most dangerous patterns of the sort indicated. Accordingly, responsible commanders might strongly wish they had the means to bring Zbigniew Brzezinski and certain others before a court martial.

The Third Aspect

Two of the best communists I know are General Enrique Lister in person, and, by reading, Marshal Zhukov. My own perception of Zhukov illuminates my view of President Eisenhower's private exchanges with the Marshal. I am certain that there are many others belonging to the same categories as Lister and Zhukov, but I unfortunately lack the opportunity and means to vouch for them personally.

In the case of General Lister, I would not certify that I would agree with him on each of his policies. In fact, we differ on a few matters. However, I am always delighted to fight out such differences with him, because he is a person of principled integrity, who makes the world richer by his existence, from whom one can learn a few things of importance in a thrashing out of differences. He is truly a courageous man, who has been left relatively high and dry by Moscow, because of Moscow's wretched games with elements of the Socialist International and with that mass assassin and British agent Santiago Carrillo.

I learned something of importance from General Lister during our encounter of November 1975. This was the period of the British coup within the leadership of the Communist Party of France. Without a scintilla of cynicism, but with the quality of irony with which a commander objectively assesses a defeat within a continuing war, he set forth, piece-by-piece, the nature of the bought-and-paid-for corruption of the top leadership of the PCF, and also the pathetic state of ignorance and confusion within the general membership. In those few hours, I put together more of the past 40 years' history of the communist movement and that movement's internal character as a whole today, than I learned otherwise in decades of earlier study of that subject.

Although General Lister's service with the Soviet forces was limited to the war period, his political approach to the subjects we discussed is that which is reflected in the writing of the most effective military professional of various communist forces. General Giap comes to mind. So, although this side of the matter is not generally understood, does Portugal's Cunhal. Once the qualities I have associated with General Lister are understood, a new dimension of insight is gained into those Soviet military professionals exemplified by Marshal Zhukov. They are politically tough, and consequently bring to military science a political depth of comprehension of strategy altogether lacking in Clausewitz.

In general, these political qualities of the Soviet military professional are relatively lacking in the political side of the Soviet and other elements of the Warsaw Pact command. In matters of global political-economic strategy, in matters respecting the internal lawful processes of political movements, in political sophistication of intelligence practice, the Soviets are inferior in overall qualitative features of practice to the British. This is not a uniform quality from individual to individual, but is the general quality of the apparatus as a whole, which defines the parameters within which the more gifted individual member of the apparatus functions.

This is, of course, complicated by a doctrinal adherence to what they regard as "official Marxism-Leninism." That, however, is not the causal feature of the problem. It is the hardline "official Marxist Leninist" with whom matters can be settled in the best way. It is as the communist drifts away from the "official doctrine" that he loses his moorings and may drift into the most monstrous garbage. The problem is that they lack the criteria either to correct the errors of "official Marxism-Leninism," or to develop a viable alternative to the official doctrine.

Hence, the areas of the best Soviet thinking are those areas of task-oriented theoretical-practical work which demand the most rigorous and profoundly creative thinking and are outside the immediate province of "official Marxist-Leninist" political and social doctrines. Those areas are two: military science and physics. The point to be emphasized is that Soviet literature and corroborating crucial empirical indicators of Soviet force development shows that the "science" in Soviet military science is not a courtesy title for pragmatic doctrine.

Although the Soviet professional may curse like the cossack who discovers he has just been sold a three-legged horse, Soviet literature indicates that the officer corps emphasizes the highest levels and breadth of cultural development as policy. This clearly provides the basis in depth for developing leading officers qualified for undertaking a scientific approach to military-policy matters. Zhukov exemplifies this.

It is Soviet military cadre which reflect the qualities of Zhukov which must be considered a prominent part of the resources we have on the Soviet side for getting the world out of this deadly mess the British Royal Institute and its MI-5 and MI-6 hoodlums have created. I do not

envisage the military seizing the Soviet leadership, but the Soviet military is an essential and most valuable component of that combination of leading Soviet forces capable of recognizing the realities of interests in the current situation.

We must communicate to such a combination, a combination which will consult its military component on evaluation of our communications. We must be firm in outlining the nature and implication of our common, British foe, and must commit ourselves to a firm policy from our side. This situation demands abandoning all equivocations and vacillations. The Soviets will not shift policy unless they perceive a well-defined and resolute reference point in their "outside world," to which to attach a reorientation of their "outer world" policies.

FOOTNOTES

1. Academician V.I. Vernadski was one of the first scientists internationally to perceive the importance of radioactive radiation as a future energy source — for peacetime uses and for war. He served on a number of commissions and academic bodies during the 1920s, 1930s, and 1940s whose purpose was to investigate the atomic nucleus. From 1922-1934 he served as director of the State Radium Institute in Leningrad, where the first cyclotron in the Soviet Union was later built, in 1937. In 1939, Vernadski formed the Commission on Isotopes in Moscow, and in 1940 he served on the Special Committee for the Problems of Uranium, set up by the Academy of Sciences in Moscow to coordinate nuclear research. During World War II, Vernadski was one of a small group of academicians, including also A. I. Ioffe, V. G. Khlopin, and P. L. Kapitsa, on whom the Soviet government relied for the assessment that an intensive effort to develop an atomic bomb under the stringent conditions of wartime would be justified.

2) Lazare Carnot became Minister of War of France in 1793 and initiated the *Levée en masse*, a national system of conscription under which every citizen was required to fight in the service of the unity of the state.

3) Soviet Marshal G.K. Zhukov was one of the three generals who led the Allied armies to victory in 1945. He was the Soviet commander against Axis forces at the historic battle of Stalingrad (1942-1943), during which he maintained a close collaboration with General Eisenhower, the Supreme Allied Commander. Zhukov and Eisenhower met personally following the Allied victory; after Eisenhower's return to the United States and his election to the Presidency, Eisenhower maintained a years-long correspondence with the Soviet Marshal.

4) George Blake, a British Intelligence agent who carried out double-agent functioning for Great Britain and the Soviet Union (with the knowledge of the British) during the 1950s, is best known for his betrayal of the U.S. CIA's "Operation Gold" in Berlin in 1956. Operation Gold had accomplished the construction of an underground tunnel between West and East Berlin in 1953, allowing the CIA to tap the East Germans' major communication links into Moscow. When the three-year-old operation was revealed to the East German government by Blake in 1956, it became the pretext for a major Cold War destabilization of U.S.-USSR relations and remained a topic of front page headlines in both the East and West for months.

In 1961, Britain tried Blake as a Soviet Spy, and he was jailed in the Wormwood Scrub prison, a center of British intelligence operations. Blake escaped in mysterious circumstances in 1966 and is now in the Soviet Union.

Eyewitness Report On Italy Terror: It Can Happen Here

Webster Tarpley is head of New Solidarity International Press Service's Italian Bureau. The following first-hand exclusive report on the Italian political situation offers timely insights into British subversion tactics against Italy and other leading Western nations, including the United States.

The British destabilization of Italy has now reached the threshold of civil war. Especially since the mid-August Kappler affair, not a week has gone by without a Red Brigades political assassination or near-assassination, without rioting by "left-" and "right-"labeled, British-controlled countergangs. The world press has registered the interminable series of riots, burnings of party and union offices, attacks on public buildings, kidnappings, and beatings.

Americans have good reason today to take a serious look at the terror campaigns that are lacerating a country like Italy. Italy is the laboratory where the British are testing the scenarios that will be acted out in your home town in the near future by the networks of the London-controlled Institute for Policy Studies. In the United States, there may still be time to preempt the operations being planned.

During 1977, terrorism became a fact of the everyday lives of millions of Italians. Events that would have commanded headlines a few short years ago have become minor items on an inside page or fillers at the end of a news broadcast — a bomb, a clash of fascists with police in a provincial town, a political kidnapping. For a population subjected to a daily pounding of terror, these events blur into a pervasive climate of political destabilization.

In Rome, Milan, or other major cities, it is now commonplace for people to leave their factories or offices in the afternoon to find that buses and streetcars are not running because they have been blocked by a street battle between extremists and the police. If you decide to walk to find alternate transportation, you may enter a neighborhood where cars have been set on fire; where the air hangs heavy with tear gas; where the police are fighting groups of young thugs armed with crowbars and Molotov cocktails, wearing woolen ski caps called *passamontagna* to cover their faces or bandannas like the robbers in cowboy movies.

These are usually the *autonomi*, short for *Autonomia Operaia*, the youngest and most thoroughly brainwashed levy of the 1968 "New Left," who are an obscene caricature of the early 1920s Mussolini left-anarcho-syndicalist *squadristi* and were created according to the same time-tested British formula. Less often, the rioters are from one of the organizations allied to the *Almirante Movimento Sociale Italiano*, a party in which some of the

up-front positions are held by ancient Genoese and Roman monetarist families that can trace their lineage as British agents of influence back to Admiral Nelson in the 19th century and earlier.

On another day you may be passing through the central business district of Milan or Rome and come into an area where the shop windows have been smashed, the contents looted, stores and parked cars burned by Molotov cocktails. This wanton destruction is a favorite fall-back option for the *autonomi* when they are barred by the police from storming the court house, ministry, or party headquarters that is their primary objective. Sometimes you will be walking in such a business section and find that the shopkeepers are all at once lowering their metal gratings or *saracinosche*, that people are ducking for cover into home or buildings. The grapevine has told them that a procession of *autonomi* or other fascists is approaching.

Often a gang of *autonomi* will rush into a supermarket, beat up the employees, and run off with as much merchandise and loot as they can scoop up in five minutes — above all liquor — disappearing before the police arrive on the scene. That is called *proletaria* — "proletarian shopping" — a practice that was started by the group *Lotta Continua* a few years ago in a campaign called "Let's take over the city," and which has since become endemic.

A prime training tactic of the *autonomi* before they reached their present notoriety was through what is called *autoriduzione*, literally, self-reduction, which took the form of gate crashing at movie theaters. During 1975 and 1976, and in smaller cities today, it was common practice for gangs of *autonomi* to force their way into movie theaters especially on Sunday afternoon. Theater managers generally regard this as something they can do nothing about, remembering the case of one of the largest movie houses in Rome, at Piazza Barberini near the Via Veneto, which the *autonomi* burned to the ground when the management tried to eject them.

The first major action carried out by the *autonomi* was built directly on this model in November 1976, just weeks after the prodevelopment Andreotti government superseded British agent Aldo Moro. British terrorist controllers decided to apply the *autoriduzione* gambit at the opening night performance of Verdi's *Otello* at the Milan LaScala opera house, with a beggar's opera of hooligans that was supposed to converge on the opera house from each quarter of the city. The center of Milan was put into a state of siege to keep the *autonomi* out of the performance, which was being nationally telecast.

The Political Strategy

The Christian Democratic (DC) Andreotti government survived that initial period because it gained the support of a faction in the Italian Communist Party (PCI). The British counterdeployment has been to mobilize the autonomi along with their complementary fascist organizations Lotta Continua and Il Manifesto to play on the psychological vulnerability of the PCI. The PCI can be paralyzed, reasoned the British, and the hegemony of agents within the Party, like Napolitano, Amendola, and Chiaromonte, can be guaranteed, if the PCI is attacked by an ultraleft force using the following line: "While the PCI bureaucrats make undercover deals with Andreotti, the capitalist oppressor, in the Parliament, the autonomi and the other authentic heirs of the Resistance tradition are in the streets fighting the DC regime, defending the real interests of the workers and students." The British judged, in part correctly, that the anarchosyndicalist pathology of some of the PCI and CGIL trade union rank and file is sufficiently strong to make them accept that definition of the situation.

A key test run for this approach was the speech delivered by Luciano Lama, the CGIL leader, at Rome University in February 1977. The speaker's platform was assaulted by hundreds of club-wielding autonomi, and Lama had to be defended by the CGIL security forces, workers brought to Rome for the occasion.

Since then, the autonomi from several cities have gathered for major actions at increasingly frequent intervals. On the morning of May 19, 1977 this reporter was in Rome on the way to my office. The bus system had largely been shut down because autonomi from across the country had gathered in the Piazza dei Cinquecento, in front of the main railroad station, where the central bus depot is located.

As I walked across the piazza I had a chance to observe the autonomi up close. Most were unemployed youth dressed in army surplus. Italy has almost a million unemployed youth, many of whom live with their parents, and most of whom have never had any hope of a productive job. Most of the autonomi looked like beggars, hustlers, petty thieves, students in outmoded technical junior high-schools. Hollow-eyed and pasty, expressionless faces bespoke high levels of drug use.

Mixed in with the crowd were groups of *Indiani metropolitani*, with faces painted white and black like the rock singing group Kiss, some wearing black bowler hats like the fascist gangsters in the film *Clockwork Orange*. Most were dressed in rags, many with feathers and other Indian trappings reminiscent of the youth gangs of the pre-Nazi Weimar Republic. The scene recalled the motley, variegated rabble that followed the Constable of Bourbon into Rome in 1527 to sack the city under the orders of Hapsburg Emperor Charles V and his Fugger financiers.

The autonomi boast of having no organizational structure of their own. Like the West German Spontis, they represent pure heteronomy. In fact, they have only one or two leaders of their own worth mentioning. One is Oreste Scalzone, whose service to Her Majesty's Government goes back to the 1960s when he was a leader of the "student movement" and then Potero Operaio, the first major anarchosyndicalist-fascist grouping in the

country. In many cities today, the leaders of the local chapter of Lotta Continua double as spokesmen for the autonomi. Thus the autonomi can be delivered in sufficient numbers at the appropriate place and time for an "anti-capitalist action." In this May 1977 case, slogans were "Down with Andreotti, down with the DC, down with the traitors Berlinguer and Lama." The demonstration had been outlawed, and the streets were full of riot police and carabinieri.

Danger: Autonomi at Work

Later, I saw the autonomi at work. The New Solidarity-International Press Service office in Rome looks over the Piazza del Gesù, a square located not far from Mussolini's old headquarters of the Jesuit order. Opposite this stands Palazzo del Gesù, the headquarters of the Christian Democracy (DC) and the office of DC party secretary Zaccagnini. Visible less than a hundred yards away is a corner of the building in Via delle Botteghe Oscure that houses the headquarters of the PCI.

The DC headquarters is *de rigueur* a target for autonomi and other left extremists. Each of the two or three demonstrations crossing the piazza in any given week stop for several minutes of gesticulating and threats against the D.C. Under former Prime Minister Aldo Moro, that was as far as things went. Under Andreotti, the autonomi have been told to storm D.C. headquarters.

From this vantage point I watched as the heads of the column of autonomi ragamuffins crossed the piazza chanting "You'll pay dearly, you'll pay for everything" and moved off toward Largo Argentina a few blocks away. In front of the DC office, a company of gas-masked riot police was deployed in a phalanx, with the first rank crouching behind plastic shields marked *Polizia*. Suddenly, a small group of provocateurs split off from the main procession and charged the police. When they were halfway across the piazza the autonomi let fly with three or four Molotov cocktails, which did not reach the police but which started a bonfire in the center of the piazza. The police replied with a salvo of tear-gas grenades, which filled the piazza with swirling clouds of gas, dispersing the crowd but cutting visibility to zero.

From the office windows I could see nothing but billowing gas. Then in quick succession came six shots as an unseen autonomo emptied his revolver at the company of police. Still in the fog of gas, we heard the siren of the ambulances that came to take away the wounded policemen.

That was only part of the shooting in Rome that day. Like the robber baron Orsini family of the Middle Ages, the autonomi were holding the bridges across the Tiber near Castel Sant'Angelo and Saint Peter's, where they had posted details armed with .38 and .45 caliber revolvers. In order to cross these bridges, the police had to put on special bullet-proof flak suits complete with armored face masks. Even so, they suffered several casualties. Since then the police have used armored cars. As the evening wore on, the autonomi broke up into small bands that ran through the center of the city, looting, and trashing shops. Not until midnight did the last of them withdraw.

Some weeks later a young girl was shot dead as she

crossed one of those same Tiber bridges, caught in a cross-fire between police and autonomi. The autonomi had shot first, but the liberal-radical intellectuals of the café set blamed the police. In fact, the police are themselves infiltrated by agents provocateurs who periodically open fire to heat up a given situation.

What Is An Autonomi?

The average rank-and-file autonomi zombie has matured in the controlled environment of the collapsing, British-controlled Italian economy of the period since the mid-1960's. He is an adolescent, and the only schools he has ever known were wrecked long ago, during the 1968 student *contestazione*. Serious teachers have been driven out in many cases by Maoist groups like Movimento Studentesco or Lotta Continua. The patronage system is now controlled in some schools by these groups together with Il Manifesto and certain agents of the PCI. If the average leftist teacher of the 1960s was in fact already a radical nominalist under the influence of Benedetto Croce, many young teachers today are oriented toward the intellectual authority of Chairman Mao, the Chomskyan linguist Umberto Eco, or the theoreticians of the old Potere Operaio. The young autonomo, the student of today, is the last stop on the line.

A favorite slogan of the autonomi is "*Lottare sui propri bisogni*," "fight for your own needs," except that in the Italian the slogan carries the overtone that the need involved is for some kind of excretion. What are their needs? "My need is that I need everything," said one faceless autonomo leader. The objective can be anything that will satisfy the unbridled heteronomy of the extreme neurotic and psychotic. Other autonomi slogans fit very well with the British plan for slave labor in the Mediterranean basin after existing industry has been dismantled: "Abolition of work. Abolition of wage labor. *Compagni rifiutiamo il lavoro.*"

The autonomi make up the backbone of any demonstration against nuclear energy, as at the Montalto di Castro site, where the peasants teamed up with Prince Caracciolo, a major landowner and close associate of Enrico Cuccia and Gianni Agnelli. The autonomi say that nuclear energy is fascist because it is hierarchical, centralized, and so complex that it can only be controlled by a scientific caste, while the superprofits go to the "mafiosi" of the DC and the "American multinational corporations."

The autonomi can turn into wild beasts when together in packs led by trained provocateurs. Taken by himself, the average autonomo is a pathetic wretch, usually passive almost to the point of catatonia.

For example, one autonomo was taking a remedial English course at a summer school for flunked junior high students where a European Labor Party member was teaching. "Did you do your homework?" asked the teacher. "No," said the autonomo slowly, "I wanted to, but then there were some problems." "What problems?" "I don't know, just problems, so I couldn't make it." "Why were you absent the other day?" "Well, I wanted to come, but there were too many problems," and so on. The individual autonomo is timid, vapid, almost meek. But he has a burning hatred of authority, especially intellectual authority, and he will join together with his *compagni* to fight it.

A combination of such persons can seriously subvert the state only through the massive magnification and support that their "movement" receives from the mass media. Last fall, the autonomi decided to kick off their offensive by taking over Bologna, the heart of the PCI "red belt." This plan was consciously modeled by their British controllers on Mussolini's March on Rome, which was basically a theatrical sham of exactly the same type. In the week before the scheduled march, the event got cover stories in both *Espresso* and *Panorama*, the two leading radical newsweeklies. One cover story showed a masked autonomo making the "P .38" salute — a fascist Roman salute with two fingers extended. Both magazines played up the absurd thesis that the autonomi, together with the *Indiana metropolitani*, Partito Radicale and militant homosexuals of the FUORI (United Front of Revolutionary Italian Homosexuals), had captured the imagination of the workers and were threatening to influence them more than the unions and the PCI.

What About The Police?

The key to the current situation is that law-enforcement agencies have been forced to adopt a policy of *not* going after the autonomi. Since all the police are controlled by the Interior Ministry in Rome, this policy clearly comes from Interior Minister Cossiga, a relative of Enrico Berlinguer's British agent father, a creature of British post-World War II occupation boss Aldo Moro, and a man with a foible for collecting and sampling pills and medicines.

Cossiga has been repeatedly called upon to explain in Parliament why his forces do not move effectively against terrorism. His reply has generally been that he wants to defend tolerance, that he repudiates over-reactions to terrorism that could undermine democracy, and especially that he wants to make sure that Italy does not imitate the "authoritarian" West German government in even attempting a crackdown against terrorists. It should come as no surprise that Cossiga has been in close touch with British Home Secretary Merlyn Rees during recent months.

The most famous base of operations for the Italian autonomi was, until just a few months ago, the so-called "Autonomous Collectives" of Via dei Volsci in Rome, which had spawned armed bands of *Volsevicchi* for countless riots over the years, not a few of which had led to loss of life. The place was notoriously full of drugs and illegal weapons, including the famous P .38 pistols that are the autonomi's trademark. Via dei Volsci had spread its control over large parts of nearby Rome University Polyclinic Hospital, where they had driven out PCI members and reduced many hospital buildings to filth and squalor. Slogans were daubed on the walls in red paint, daily fights took place in the corridors, and the autonomi steadily recruited mental patients from the psychiatric wards, many of whom later found their way into hard-core terror bands.

Month after month, Cossiga refused to lift a finger against Via dei Volsci, despite the deaths of policemen and bystanders in riots around the city. When the pressure became unbearable, he decided to shut down Via dei Volsci and to garner a little credibility for himself in the process. When riot police finally surrounded the place at

5 a.m. one morning, they found no guns or drugs or incriminating evidence. Cossiga had seen to it that the autonomi leaders had been tipped off well in advance. The autonomi have since been directing their growing operations from an alternate command center.

Attack on the ELP

The European Labor Party (ELP) possesses special, critical evidence on Cossiga's connivance with the autonomi. The area *dell'autonomia* had been oriented to a hostile posture towards the ELP during 1974 and 1975 by slander articles published in *Panorama* and *L'Espresso*. During the past year this has been followed by a pattern of multiplying direct physical attacks on ELP public rallies by autonomi stormtroops. In each case, the police have refused to intervene effectively, using excuses so patently ridiculous that there can be no doubt that their inaction is a direct result of orders from Cossiga.

A crescendo of these attacks came during the month of October. Part of the timing had to do with the role played by the ELP during the staged escape of Nazi war criminal Kappler, the kidnapping of West German industrialist Schleyer, and the skyjacking of the West German Lufthansa airliner to Somalia — a skyjacking that Cossiga had refused to nip in the bud, letting the plane leave Rome. This series of British intelligence-manipulated incidents gave rise to a "Nazi revival" scare, which had a tremendous impact in Italy. Large sections of the population proceeded to act out their "anti-Nazi resistance" ideology-fantasy at a time when the economic survival of Italy depended on an alliance with West German Chancellor Schmidt.

The ELP was to our knowledge the only political force in the country with the guts required to go into the streets and call on Italians to repudiate this madness. This appeal to reason had its own profound echo in the public, and drove the fascist and profascist "left" into a frenzy. Both considerations led the British top operative Enrico Cuccia to begin more ambitious attacks.

In early October 1977 ELP organizers in the Piazzale Lodi in Milan were selling an issue of *Nuova Solidarieta* headlined "Ally with Schmidt against British terrorism." They were approached by a dozen autonomi who assaulted them, screaming, "They support Schmidt — it's incredible!" When the ELP members took refuge in a coffee bar, they were followed by several autonomi, one of whom had a pistol partly visible under his jacket. These autonomi demanded that the ELP members hand over all their newspapers and other propaganda.

The leaders of the ELP squad managed to place a call to the antiterrorism section of the police, reporting that their lives were in danger from the armed autonomi. The response: "We can't come, because there are only four of us here." A second call to a local police precinct brought the response, "You are always telling us a bunch of bullshit, always wailing about terrorists and autonomi. We'll see if we can send a car over, but you better not tell us any more of your bullshit."

The police did arrive some time later; the autonomi were still on the scene. The ELP members immediately identified the autonomi to the police, pointing to where they were standing on the other side of the piazza. The members demanded that they be taken into custody,

indicating their intention of filing a complaint.

"We can't do that," said one of the policemen. "If we ever went after them, they'd kill us and you too."

A short time later ELP members were organizing near the La Scala opera house. Here they were assaulted by autonomi in *passamontagna*, who moved in quietly, surrounded one ELP member, threw him to the ground, and kicked him in the face. The ELP member needed hospitalization, but the hospitals were on strike. At a first-aid station he found an intern who was willing to treat him, but who then threatened him with more violence when he identified his attackers as "fascist autonomi." The intern was an autonomi sympathizer.

The autonomi who carried out this attack live in apartment buildings owned by the City of Milan, but which they have occupied. Milan has a Socialist (PSI) mayor, and British agents Riccardo Lombardi, Bettino Craxi, and Umberto Dragone of the PSI have seen to it that no one disturbs safehouses on city property. In addition, the autonomi have ample access to the Milan State University, where they maintain caches of weapons and drugs in basement rooms assigned to the Maoist Movimento Studentesco.

On repeated occasions, the police have attempted to discourage the ELP from swearing out complaints against the autonomi for street violence. They have also refused to provide protection. Once police lieutenant told ELP organizers "I can't have my men getting beaten up by the autonomi."

That, of course, is the cynical facade put up by cops who have been thoroughly demoralized by their inability to carry out their job — an inability that traces back to Cossiga. Another policeman expressed his feelings more honestly to an ELP member when he said in despair: "The autonomi are armed, they have knives and guns. They control the streets. It's too late for us to do anything about them."

A Warning For Americans

With this situation in Italy, it is not surprising that West German police officials have taken seriously the warning that unless they solve the Cossiga problem, they are wasting their time with their month-long dragnet in West Germany and other countries to capture leading members of the Baader-Meinhof group. These actions can be easily frustrated by the terrorists, who could be hiding out anywhere in Italy and nobody would know — except Cossiga.

Nor should Americans try to laugh off the impotence of the Italian authorities to stop the terror wave there. The cause of terrorist ascendancy in Italy today is the subversion of the Italian state by the secret services and political intelligence forces of the United Kingdom, a subversion that extends into every walk of life. Terrorism in Italy will stop when the Cuccias, the LaMalfas, Moros, Amendolas, Benvenutos and Lombardis have been driven out of public life, when the *Espresso* and *La Repubblica* cease publication. Such terrorism will end when Messrs. Healey, Jenkins, Owen, and Rees are cut down to size.

— Webster Tarpley

Kissinger Orchestrates Chile Destablization In Italy

On Jan. 12, Alberto Jacoviello, Washington correspondent of *Unitá*, the daily organ of the Italian Communist Party (PCI), informed the party's rank and file that the authors of the present interference by the Carter Administration into Italy's internal affairs is a clique composed of Zbigniew Brzezinski, the U.S. ambassador to Rome Richard Gardner, the *New York Times* and the Associated Press. Masterminding the whole operation, Jacoviello charged, and acting as "movie director" of the destabilization, is none other than Henry Kissinger.

ITALY

Jacoviello's exposure came in a week marked by a crescendo in Chilean-style operations on the part of Kissinger and his British cohorts in Italy. After several days of consultation among NSC Director Brzezinski and Secretary of State Cyrus Vance with Gardner—who was recalled from Rome for emergency consultations on possible participation by Communist parties in the government of western European nations. This statement proclaimed that the United States "does not favor such participation and would like to see Communist influence in any western European country reduced."

Compared to previous U.S. pronouncements which had spoken of a U.S. desire to avoid domination or inordinate influence of Communist Parties over such governments, this statement represented a policy shift in the direction of provocation and blackmail against the Italians and against the PCI in particular. As it turned out, Kissinger wanted to have this statement read by President Carter at the opening of his news conference today to maximize its impact, instead of having it delivered by State Department spokesman John Trattner. Even so, the statement made clear to the world that Henry Kissinger, and through him Messrs. Healey, Owen, and Jenkins, are calling the shots in this area of U.S. policy.

This crude meddling from the State Department is designed to feed into the left against right scenario that is the basic British approach to aborting any further consolidation of the labor-industry alliance between the Andreotti-Piccoli-Forlani forces in the Christian Democracy and the pro-development Longo-Cossutta grouping within the PCI. Kissinger wants to elicit the big anti-American backlash in Italy that would embarrass

the DC, which will predictably now come under attack by left-cover British agents like Giorgio Amendola of the PCI and Riccardo Lombardi of the Italian Socialist Party (PSI) as the party that encourages U.S. interference to the detriment of Italian sovereignty.

Government Crisis

It now appears that Andreotti will tender his resignation to Italian President Leone within several days. Although the formal opening of a government crisis will give the British terrorist controllers important opportunities, it is very likely that Andreotti will be able to form a new government with the PCI included in the majority, although not present in the government with ministers of its own. In the process, Andreotti will probably be able to dump several of the pro-British saboteurs his regime has been burdened with since its formation in August, 1976. The heads most likely to roll are those of Treasury Minister Gaetano Stammati, Foreign Trade Minister Rinaldo Ossola, and the Interior Minister, Francesco Cossiga.

If Andreotti himself should prove unable to carry out this operation, then the formation of the next government could be entrusted to Foreign Minister Forlani, or alternatively to the President of the DC Parliamentary faction, Flamminio Piccoli.

This hypothesis is supported by the interview given to *Espresso* magazine this week by Armando Cossutta, who describes Andreotti as basically acceptable to the PCI, in contrast to certain unnamed ministers in his government. The outcome of the current situation will depend more or less directly on the Cossutta faction's ability to defeat the British agent wing of the PCI around Amendola, Napolitano, and Chiaromonte.

Indications so far are that the anti-British forces have more than a fighting chance. Alessandro Natta, president of the PCI deputies, said this week that the PCI would be satisfied with inclusion within the majority, without ministers of its own. In saying this Natta, presently allied to Cossutta, repudiated the goal of the British agent forces, the creation of a so-called "emergency government" of all six major Italian political parties. This government would ensure the crushing of the prodevelopment factions in both the DC and the PCI, and would open the way for Schachtian austerity of the type demanded by rolling back in November with his call for the PCI to be included in an "emergency government."

Natta's statement was a response to the mid-week meeting of the Direzione of the DC, following which DC

Secretary Benigno Zaccagnini, in a carefully worded statement, ruled out the immediate participation of the PCI in the government, but offered the Communists "other forms of cooperation."

Speaking before two PCI public meetings in Milan last weekend, Napolitano, who is a close personal friend of British Chancellor of the Exchequer Denis Healey, heaped praise upon the greatness of the British Empire, and then added that the Gaullist conception of Europe from the Atlantic to the Urals was a bankrupt notion. The only real Gaullists, said Napolitano, are the British, since they are the ones who have a real concept for what the future of all of Europe must be.

Alberoni Predicts Chile

As part of their moves against Andreotti and his allies, the British have augmented their already ongoing terror wave in Italy. As is customary, the terror strikes were ordered from the pages of *Corriere della Sera* by the principal Italian terror controller, Francesco Alberoni. Alberoni predicted that terrorism would increase as the government cooperation of the PCI and the DC develops, adding that the Italian situation is similar to Chile in many ways. Alberoni wrote that a civil war in Italy was possible because, as in Chile, there are profound divisions inside the armed forces. *Unità* replied that by attempting to blame the existence of terrorism on the PCI, Alberoni was deliberately trying to confuse the situation.

The *London Daily Telegraph* peddled a simplified version of the same line: the PCI is behind the terrorism in Italy, as shown by the allegation that members of the terrorist Red Brigades spent some time in Czechoslovakia in 1968. The same filth was issued by the Georgetown Center for Strategic and International

Studies, which alleged that the PCI organizes terrorism because the party is "inhuman."

In reality, the terrorism is British. Rome was in a virtual state of siege all week after a shooting incident Jan. 7 in which two members of the British-controlled Movimento Sociale Italiano (MSI) were killed by unidentified assailants, setting off riots in which another MSI member was killed by police. On Jan. 9, the police and the MSI clashed in a half-hour gun battle in the Rome Tusculan area, after a demonstration by left-wing extremists had stirred up the MSI.

In addition to this street violence, Andreotti has also had to contend with the presence of Israeli Foreign Minister Moshe Dayan, who was in the country for what was billed as a diplomatic mission, but which was in reality a move to activate extensive Israeli intelligence capabilities in Italy against Andreotti. Part of the motivation is the open secret that Italy is very close to granting official recognition to the Palestinian Liberation Organization.

Andreotti's survival is a matter of vital interest to the United States. Important industrialist groupings here want to place development investments in Italy to transform that country into a staging area for a large American presence in the Middle East development projects that will emerge in the context of progress in the Sadat-Dayan initiatives. Andreotti's basic vulnerability derives from the failure of U.S. investors to deliver on the promises they made to him during his July visit to Washington. A British victory against Andreotti would undermine the cause of development in the strategically crucial Mediterranean area, including the Middle East.

Webster Tarpley
NSIPS Italian Bureau Chief

Israeli Internal Fight, U.S. Policy Crucial In Mideast Talks

The intricate interplay between U.S. Middle East policy, U.S.-Israeli relations, and the Israeli internal situation will be key to the resolution of the tricky Middle East situation in the next weeks. This interplay is made all the more complicated by the machinations in the Mideast of Israeli "Anglo" circles around Foreign Minister Moshe Dayan and by the attempts of the British government to win a prominent position in the Middle East and within the European Economic Community policy-making apparatus. These two factors, in turn, intersect those American-based policy circles under the sway of former Secretary of State Henry Kissinger, who are fighting for a policy detrimental to a comprehensive Middle East peace founded on recognition of Palestinian self-determination rights, real Israeli security guarantees, and a regional development policy.

Making matters yet more delicate has been the campaign waged by the major Western media to portray the Mideast talks as now totally focussed on the Egypt-Israel bilateral talks on the Sinai and on Jewish settlements in occupied territories, and to claim that the propeace environment catalyzed by Egyptian President Anwar Sadat's trip to Jerusalem is dissipating.

This media portrayal has deflected public attention from Israeli Prime Minister Menachem Begin's continued attempts to walk through the minefields sown by the Israeli internal situation, especially those lain by Dayan, by Agriculture Minister Ariel Sharon, and by extreme nationalists in Begin's own Herut Party and in the ruling coalition.

Throughout the week, *Executive Intelligence Review* was able to obtain from sources several valuable insights on both U.S. policymaking dilemmas and on Begin's internal political strategy in Israel. *EIR* as well has compiled a dossier on the activities of Dayan and his allies in London against regional peace moves.

* * *

Begin Trying To Undercut Extremists, Analysts Say

Two difficult confrontation situations facing Prime Minister Begin arose this week. On Jan. 9, at the national convention of the Herut Party, Agriculture Minister Ariel Sharon attempted to organize a hardline anti-Begin faction, based on the polemic that Begin's peace plans are a "national disaster" and that Begin is "soft on the Jewish right of settlement in Arab lands." Sharon was

joined by Herut ideologues Geula Cohen and Samuel Katz, who had resigned from the government last week.

In response to the extremists, Begin threatened to resign if his peace plan were not accepted. This forced an overwhelming vote in favor of the peace plan, although a significant minority then voted against Begin's candidate for Minister without portfolio, Haim Landau. At the conference, Begin told the party members flatly, "We want peace. No more widows, no more orphans!"

Over the weekend, Sharon tried to push through the Cabinet a plan for 25 Israeli settlements in the West Bank and for new settlements in the Sinai territory. When this drew opposition from several Cabinet members, the decision was deferred to the Knesset (Parliament) Foreign Affairs and Defense Committee, which decided in favor of four West Bank settlements. After the vote, two Israeli spokesmen in the U.S. gave the following descriptions of the Israeli internal situation:

It is correct that the Knesset Committee has approved the Cabinet's recommendations for new settlements, *if* there is any intention to settle in Judea and Samaria (Israeli official terms for the West Bank of the Jordan River—ed.). But in general, the settlements issue is marginal, and I regret all the play it is getting in some of the press I have been monitoring. The danger and risk in general is how the media is finding details to fixate on, when the actual negotiations are moving to behind closed doors, and difficult issues must be discussed.

Also you have to take into account Begin's position. Extremists like Geula Cohen are actually trying to organize an active faction throughout the country against Begin, but Begin is determined to respond to the majority sentiment in favor of a peace settlement, and it's the majority that counts, and Begin's working with *it* and not the efforts of the extremists.

According to the second, Washington-based source:

The Knesset settlements decision is the middle course. But more important, there is something diabolical involved in the recommendation for new settlements: nobody wants to move into new settlements, the Gush Emunim group can't even find people to move into old settlements! Begin knows this! He's playing a hard-nosed game, internally and internationally, a domestic chess match and a chess match with the Egyptians. And sensitive people

know this: look at the State Department's refusal to chastise the Israelis—if they weren't trying to give Begin some critical support they would have freaked out.

Begin is undoubtedly trying to outflank his opposition, the extremists. He's calling their bluff: all right, he says, you have the settlements, go try to settle them! He's also cutting off Sharon a bit. And thereby showing where the vast majority sentiment of Israel lies—not with the extremists, who are just a vocal minority.

Begin, you must realize, is in an enviable position with the extremists—he understands their every thought, he was once one of them. So he can work out strategies to circumvent them.

Interestingly, an Egyptian spokesman in the U.S. gave support to this analysis:

Of course, to us the settlements are a problem, and we can't accept them. When we get the Sinai back, as per Begin's promise, it will be our decision on how to deal with the Sinai settlements. The key here is that Begin is himself faced with a problem: in the past days, numbers of settlers from the Sinai have started going back to Tel Aviv, and have demonstrated in front of Begin's house, which has created uncomfortable psychological problems for him. These settlers were encouraged by the past government, and now it's difficult for Begin, we understand that.

A longer range supportive perspective for Begin has come from the Israeli dovish camp. Former Foreign Minister Abba Eban, a leading representative of this camp, this week called for a Labour Party-Likud coalition to push for peace in Israel, a critical supportive move behind Begin.

One Israeli leftist, now a visiting professor in the U.S., had the following sense of Begin's politics:

Begin hasn't formulated his final position yet. He's re-educating himself, but he's taken significant steps in the right direction. It was very important for him to question Israeli sovereignty over the West Bank, and to say that Jordan was previously the *oppressor* of Palestinian Arabs, thus for the first time clearly differentiating *Jordanian* from *Palestinians*, not claiming that these are one nation. Further, his recognition that the Palestinians deserve autonomy is very important.

I think there are sufficient pressures on him—circumstances, Sadat's need for momentum, Israel's need for peace—that will push him further in the appropriate direction. His main problems are his party and his coalition. The Knesset is behind the times, behind the mood of the country. So, if Begin is intent on going all the way, he may have to call for new elections, and thereby efficiently destabilize his opposition.

A top U.S. expert on Israeli affairs concurred with this analysis:

The situation is not exactly what it appears to be in the press. There is no question that there are many

difficult issues to be solved. The most important issue is time. Begin needs time badly. He has departed from his old line. He is not the same person that he used to be. He is a reformer who needs time to educate his population. You have to understand that what Begin says in public is not what he is doing behind the scenes.

Begin is the first Israeli politician who has launched a peace initiative on serious grounds. But he does not have a unified government behind him. He depends on his coalition partners, one of whom is Dayan who by all means does not have views identical with Begin's. Dayan has no political base, but he is working to achieve one. The question is, who will finish first, Dayan or Begin? The education process that Begin has launched will take time, and the problem is, can Sadat wait? As I said, the only problem that I see is one of timing, and not anything else.

One responsible voice critical of Begin was a U.S.-based European diplomat, who was concerned that Begin had done too little of an educative, organizing nature to prepare the population for new peace moves. This diplomat, and the European press in general, also expressed concern over the just-announced Israeli budget, which commits the government to new austerity measures and to the funnelling of fully one-third of expenditures just for *debt-servicing*. Without a balancing initiative in the direction of economic growth and development, both from within Israel and from the international community, the austerity mood in Israel could sour the sentiment for progress that is necessary for peace.

Dayan Dossier: Biggest Opponent of Peace in Israel

Israeli Foreign Minister Moshe Dayan, using his extensive British-backed networks inside Israel's intelligence and military establishments, is working to sabotage the Begin-Sadat peace efforts and catapult himself into power. "Dayan wants to become Prime Minister," stated one Washington-based analyst, who noted that since the Sadat trip to Jerusalem, Dayan has been locked out of the peace process by Begin.

Dayan's strategy is to isolate Begin. Last week, Shmuel Katz, Begin's information adviser, resigned. In an interview with the Italian press, Katz said that one of the main reasons for his resignation was disputes with Dayan. Katz had been Begin's choice for Minister of Information last summer, but was blocked by Dayan. Dayan later prevented the implementation of a plan drawn up by Katz for an Israeli information service that would limit the powers of Dayan's foreign ministry.

According to the *Jerusalem Post*, Dayan has dispatched the Director General of the Foreign Ministry, Ephraim Evron, to coordinate a top-down reorganization of the Israeli UN Mission and Consulate in New York. Already, the Consul General Uri Ben-Ari has stepped down because his relations with Dayan are said "to be

strained," and other resignations are rumored, possibly including that of UN Ambassador Chaim Herzog.

Dayan was also behind the nomination of his extremist colleague, Agriculture Minister Ariel Sharon, to attend the meetings of the joint Israel-Egypt political commission beginning on Jan. 15 in Jerusalem. The request was torpedoed by the Israeli Cabinet. According to the *Jerusalem Post*, both Dayan and Sharon are viewed by many in Begin's Likud Party "with a tinge of dislike and mistrust."

In an interview in the Israeli daily *Maariv* two weeks ago, Dayan described Sadat as "uncompromising," and predicted the collapse of the peace effort because of the Egyptian president's "intransigence." In a further effort to undermine the Sadat-Begin dialogue, Dayan's emphasis on the settlements question contradicts statements made by Defense Minister Weizman explicitly defining the over-blown settlements question as not the critical matter.

Last week, Dayan visited Italy to pressure the Italian government away from cooperating with the organizing efforts of West German Chancellor Schmidt, who is seeking to unite Europe around a stand in favor of Palestinian rights. According to the Italian daily *Il Giornale*, Dayan is worried that the Italian government might recognize the PLO but is counting on the Andreotti government to fall before it is able to do so. The Italian press also reports that Dayan blocked European Economic Community head Simonet from visiting Jerusalem last month.

Great Britain Inserts Itself into Middle East

A string of British government ministers and ex-ministers paraded through the Middle East last week in an apparent effort to take advantage of the faltering Middle East peace talks by reestablishing a British presence in the area. The City of London, whose political intelligence networks have worked overtime to block a comprehensive resolution of the Palestine question for 60

years—and especially in the last 60 days—is seeking to appropriate the control of the flow of Arab petrodollars for its own purposes.

Leading the British influx is Prime Minister Callaghan, who scheduled an unplanned stop in Egypt for Jan. 15 to meet President Anwar Sadat. Callaghan's visit, according to the British, was at the invitation of the Egyptian leader, but American reports said that Callaghan had invited himself. Reportedly, Callaghan is seeking to become a spokesman for the European Community in the Middle East, a place which most observers have given to the West German Chancellor, Helmut Schmidt.

Callaghan, who toured the Asian subcontinent of India before his Egypt stop, claimed that he had spoken with Prime Minister Begin of Israel and would carry a message to Sadat for Begin. But Callaghan's pompous claim looked ridiculous in light of the fact that Begin's defense minister, Ezer Weizman, was visiting Cairo at the moment and had personally met with Sadat!

The Callaghan visit to Egypt follows that of two other prominent subjects of Her Majesty, Defense Minister Fred Mulley and former Prime Minister Edward Heath.

Mulley, who is now in Jordan, is on an arms sales mission. He told the *Jordan Times* last week that the Begin peace plan is "not nearly sufficient" and that the Palestinians must have the right "to participate in determining their own future." But this formula, a fuzzy-minded replica of a statement by Carter in Egypt last week, is an explicit attempt to deny the right of self-determination to the Palestinians by watering it down with Jordanian and Israeli "participation." By contrast, the other countries of Western Europe are very close to recognizing the PLO, and there are reports that Chancellor Schmidt has called for a Palestinian "state."

The Heath trip to Egypt was followed by a visit to Saudi Arabia. Heath is a member of the commission established by Willy Brandt and World Bank President McNamara to encourage a labor-intensive, anti-industrial policy toward the Third World, along with such luminaries of the Lazard Freres network as Katherine Graham, Peter Peterson, and Pierre Mendes-France.

U.S. And Foreign Experts Blast Carter Vacillation

Several sources concurred this week on the necessity of fresh and explicit U.S. initiatives on the question of Palestinian self-determination. These sources were generally critical of President Carter and National Security Council head Zbigniew Brzezinski for their alternately fuzzy and provocative statements on this crucial question.

Carter "Inconsistent"

The following comments are from a former high-ranking State Department official with wide experience in Middle East politics:

Q: What do you think about the recent turn in American

Middle East policy, particularly the phrase used by Carter that the Palestinians should "participate in determining" their future?

A: It is quite clear that they will indeed have to participate. But I am not at all happy about statements from Carter and from (NSC Director) Brzezinski about the PLO being finished. That simply is not true. Carter should be sticking to his guns, and so far he has not really been all that inconsistent on the Middle East. His policy, which I helped to develop, calls for a Palestinian homeland, a return to the 1967 frontier by the Israelis, and the conclusion of a peace settlement as Israel defines it. Now he has to commit himself to pressure Israel toward that goal.

Q: Do the Arabs really demand an independent Palestinian state?

A: I'm sick and tired of people who say that it is a foregone conclusion that the state must be linked to Jordan. The Saudis do not demand that; they will support whatever the PLO decides. If the PLO decides on a state of its own, the Saudis will support it. Concerning Carter's formula, which would give the Palestinians a referendum or plebiscite after some years—it's a good idea. But the choice *must* include full independence. After that, perhaps, there will be a decision to form a federation with Jordan, but the decision must be the Palestinians', and no one else's.

* * *

Brzezinski Statements "Destructive"

Other sources were highly critical of recent U.S. waffling on the Palestinian question. According to a leading Israeli dove:

The Administration's policy won't lead anywhere. Until the American Administration realizes that the Palestine Liberation Organization, at least its moderate center leaders, be invited to peace talks, the Palestinian issue will be the stumbling block. Trying to circumvent the PLO and at the same time trying to replace them with West Bank puppets only creates additional obstacles.

There *must* be a recognition that there are moderates who can be spoken to, and any attempt to sidetrack this is destructive. So, so far, American policy is destructive, especially Brzezinski's "Bye, Bye, PLO" statement.

There is an obsession in Washington and Jerusalem that a Palestinian state will be a Soviet stronghold. This is ridiculous. Carter's maneuvering, then, is very unfortunate, especially since the Palestinians *can* prevent a settlement, as they have done several times in the past.

* * *

Carter and Brzezinski Are "Big Complication" In Peace Process

A knowledgeable former State Department Middle East diplomat was more concerned about the effects of Carter's public flip-flops, which, he felt, were obscuring an underlying direction and trend in U.S. Middle East policy.

Carter is trying to straddle; he says one thing one time, one thing another. He wants some form of Palestinian self-determination, but doesn't want to pressure Israel. He talks too much in public, and keeps things confused, tries to be all things to all people, and therefore makes things fuzzy.

But it's clear nonetheless that the State Department experts are getting a message to Carter: that there must be a Palestinian entity, probably to be connected to Jordan. Anyone dealing with Mideast policy in the Department is aware that a Palestinian entity *must* be set up, Carter is continuously being told this.

From this standpoint, a certain Administration strategy *does* become detectable: to get Israel to move in the direction while not riling things up too much. So, the main criticisms of Israel's settlement policy have recently been private. Another example: the Administration idea of some Egypt-Israel-Jordan West Bank comanagement policy is less real in substance than it is in inducing the Israelis to loosen up. The idea then is to get the heat off Begin, allow him to placate his domestic opposition if need be by some loud bluster in Israel, and then pressure the Israelis. The big complication in this, though, is Carter and Brzezinski.

* * *

U.S. Press: Can't Avoid Palestinian State

Pressure on the Administration to move further towards recognizing Palestinian self-determination rights was expressed in two editorial features this week in the U.S. press.

Wall Street Journal, "A Palestinian State Is the Minimum Condition for Peace," by Senior International Correspondent Ray Vicker, Jan. 13:

Whatever the case (of the details of discussions on the Palestinian issue — ed.), many observers hope that negotiating efforts will focus on how to achieve actual self-determination for the Palestinians, not on some diplomatic subterfuge which seeks to cloak Israel in obscure language which might create the appearance of independence without actually permitting it. Such an attempt wouldn't fool anybody and could prove highly dangerous.

The blunt fact is the whole Arab world wants an independent Palestinian state as a minimum. Such a state wouldn't satisfy Iraq and Libya. They want to eliminate Israel. But as one circulates through capitals of moderate states such as Saudi Arabia, Egypt, Jordan and Kuwait and even in more revolutionary nations such as Syria, one is struck by how deeply this idea of a new, mini-Palestinian state has taken hold.

Leaders of moderate Arab states don't want that mini-state to be radical. There they certainly have the same aim as Israel. And that may be where the solution to the problem might be found. Israel's opposition should be focused against the radicals rather than against the state itself.

Any mini-Palestinian state will need huge dollops of foreign aid to launch itself and to survive. Moderate oil states have the cash for such aid. This aid can be a force toward moderation in the new state. People with homes, jobs and incomes are less likely to take to the streets to demonstrate behind radicals. Merely fighting radicalism with police-state methods is not only anti-democratic, it can be self-defeating in the long run.

New York Times, by Anthony Lewis, Jan. 12:

...Peace in the Middle East depends essentially on the resolution of one central question: the future of the Palestinians.

Difficult as the problem is, facing it is an important step forward. Not so long ago a Prime Minister of Israel said there was no such thing as a Palestinian Arab. And many of us, supporters of Israel, have wished the problem away in similar fashion.

We know better now. There is a distinct group of Arabs with origins in Palestine and roots there going back many hundreds of years. Their sense of attachment is

strong, and many of those now living elsewhere fell themselves in a diaspora just as Jews did for so long.

(Therefore) it remains necessary to encourage participation by moderate Palestinians (in the negotiations). They could be genuine West Bank figures at first, but one hopes they would in time draw in moderate PLO elements.

Shah, Boumedienne Join Mideast Peace Diplomacy

Algerian President Houari Boumedienne and the Shah of Iran emerged publicly last week as two major contributors to the Mideast peace process. Mistakenly identified as leaders of opposing camps, the "radical" Boumedienne and the "conservative" Shah have, in fact, both been pursuing a comprehensive Mideast peace accord, largely behind the scenes, for some time.

For both leaders, there is a convergence of views around the immediate necessity of supporting the Sadat-Begin peace initiative. Boumedienne has used his leverage in the "hardline" Arab bloc (led by Iraq and Libya) to attempt a reconciliation of the longstanding Syrian-Iraqi feud. Through such a reconciliation, Boumedienne intends to swing the hardliners away from their heretofore purely negative anti-Sadat posture and into a more constructive "critical" position—one which would keep Sadat in line, especially around support for the Palestinian Liberation Organization in upcoming talks with the Israelis. Boumedienne has been stressing the final resolutions of the Rabat Arab summit of 1974, where the differing factions of the Arab world agreed to unanimously support the Palestinian Liberation Organization (PLO) as the sole and legitimate representative of the Palestinian people.

Unlike Boumedienne, the Shah of Iran has come out in open support of Sadat's peace initiative. In launching his Mideast peace tour, which took him to Egypt and Saudi Arabia, the Shah declared that he wanted to work for an overall peace settlement. Although he has expressed interest in Jordanian representation for the Palestinians—a decision which prompted recent criticism from PLO chief Yasser Arafat—the Iranian leader has demonstrated his willingness to discuss his differences with his Arab neighbors. It is rumored that the Shah will soon be visiting Iraq.

The unifying factor in this de facto Algerian-Iranian collaboration is a desire for peace and economic development for the region. Both Boumedienne and the Shah have repeatedly called for such a program.

The following is a roundup of the diplomatic activities of these leaders:

Jan. 4—Boumedienne to Iraq.

According to the international press, Boumedienne launched his whirlwind tour for Arab unity with the stated purpose of resolving the Syrian-Iraqi feud. Indications of the impending reconciliation had already surfaced two weeks ago when the London *Times* reported that Salah Bitar, a former Syrian Baath Party leader

(the pan-Arab Baath Party is the ruling party in Iraq) and arch-rival of Syrian President Assad, had returned to Syria to head the Syrian cabinet.

Libyan Foreign Minister Tariki arrived in Baghdad later in the week in order to support Boumedienne's efforts. According to press reports from Kuwait, Tariki stated that "positive results" from the talks indicated that the conflict was in the process of resolution.

Jan. 5—Boumedienne to Saudi Arabia.

The French daily *L'Aurore* reports Jan. 10 that Boumedienne and Saudi King Khaled discussed support for the PLO in the global context of Mideast peace solution. In addition to the question of Arab unity, *L'Aurore* reports that the Saudis urged Boumedienne to settle his differences with Moroccan King Hassan over the Sahara. Algeria's continued support for the Polisario Liberation Front, which is fighting Moroccan and Mauritanian troops for rights to the Spanish Sahara, has severely threatened Algerian-Moroccan relations. Saudi Arabia informed Algeria that it would perform a more active role in mediating the dispute.

Jan. 7-9—Boumedienne tours the Gulf States with stops in Kuwait, North and South Yemen, Bahrein, and Qatar.

Jan. 10—Boumedienne to Jordan.

Strengthened by his talks with the Saudis, Boumedienne apparently urged Jordan's King Hussein to distance himself from any "negotiations" that did not adequately address the independent role of the PLO. Under this direct pressure, the king has had to stay out of the picture to date. A recent statement from Hussein indicates that Jordan, under the terms of the Rabat decision, is not empowered to represent the Palestinians. Jordan's response is of course a direct warning to Sadat that he too is bound by a commitment to the PLO to plead their case in any further negotiations.

Last week, two interviews granted by Syrian President Assad and Saudi Crown Prince Fahd reiterated this warning to Sadat. In an interview with Barbara Walters on ABC-TV, Fahd affirmed that the Palestinian people had chosen the PLO as their representative. And in *Newsweek*, Syrian's Assad pointed out that the participants of the Tripoli Summit last month (Algeria, Syria, Libya, Iraq, and the PLO) had shifted from "rejectionism": "What took place was definitely not a rejectionist front. It was the front of Arab steadfastness...we didn't say we were against peace." After

attacking Sadat directly for carrying on unilateral negotiations, Assad declared that Israel and the PLO should talk directly.

Jan. 9—the Shah of Iran to Egypt.

Upon leaving Aswan, the Shah congratulated Sadat on his peace initiative and declared that “the ball is now in the Israeli court.” According to the French daily, *Le Figaro* of Jan. 11, “the Shah’s visit is considered an important element in the present peace process.”

Jan. 10—the Shah to Saudi Arabia.

While Boumedienne was meeting with Hussein, the

Shah conferred with Saudi leaders. In addition to discussing OPEC-related matters, the Shah confirmed his support of the Sadat peace initiative. According to the French press, the Shah and King Khaled discussed the Mideast in minute detail.

Jan. 12—Boumedienne to Syria.

The results of Boumedienne’s factfinding tour were discussed with Syria’s Assad. According to the press accounts, the Syrian-Iraqi rapprochement was the top agenda item.

Schlesinger Organizing The ‘Crash Of ‘79?’

The most reliable reports from Riyadh this week indicate that the visiting Shah of Iran and the Saudis reached common perspectives on the need for stabilizing the Persian Gulf and for mediating various outstanding crises in the Middle East-North African region. Agreement was also reiterated on the touchy subject of oil prices.

Nonetheless, coinciding with U.S. Energy Czar James Schlesinger’s current visits to Morocco and Saudi Arabia, various British press outlets have begun to propagandize the likelihood of a new Cold War taking over the region. France’s *Le Matin*, mouthpiece for François Mitterrand of the French Socialist Party, predicted on Jan. 9 an anti-Soviet, anti-radical bloc of Iran, Israel, Egypt, and Morocco forming to police the region. The *Christian Science Monitor* on Jan. 11 claimed that the Saudi-

Iranian talks were concerned mainly with Soviet spy reconnaissance flights over the oil-producing countries!

No doubt Schlesinger is working according to the scenario recently detailed by Senator Henry Jackson in a special Senate Energy Committee report recommending U.S. dependence on Israel and Iran as the U.S. bulwarks in the Mideast against the Arab producers. This is Henry Kissinger’s favored gameplan...and, interestingly, appears to be a realization of the scenario for World War Three in the recent bestseller, “The Crash of ‘79.”

Next week *EIR* will carry a special feature on the politics of the Gulf, contrasting the actual politics of the region and the increasing European input there with Schlesinger’s unfortunate meanderings.

Mondale Faction Has A Program For Mexico

Liberal policy-making circles connected to the Mondale wing of the U.S. government issued a series of manifestos this month on how to remedy Mexico's economic and social problems: a program of labor-intensive jobs, population control, sealing of the Mexico-U.S. border, and energy conservation.

Leading the pack is a seven-point program presented by the Virginia liberal academic, George W. Grayson, in the winter issue of *Foreign Policy* magazine, one of whose associate editors (currently on leave) is the head of the U.S. National Security Council, Zbigniew Brzezinski. The core of Grayson's program is "closing the border escape valve" in order to "force the Mexican government to confront difficult questions about Mexico's economic development," a sentiment directly echoed by the *New York Times* and London *Financial Times* Mexico correspondent, Britisher Alan Riding; and by *New Republic* contributor Stanley Karnow, writing in the *Baltimore Sun*. After describing a series of no-energy and no-economic-growth proposals for Mexico, all three writers warn that if their super-austerity plan is not adopted by the Mexican government, "the future of Mexico" (as Karnow puts it) "may make the Cuban revolution look mild by comparison."

The Mondale Visit

Observers in Mexico will be looking closely at Vice President Mondale's upcoming visit to Mexico this month to see if he uses the opportunity to push implementation of this program, which has been widely seeded in the U.S. press. The American embassy in Mexico has already announced that during Mondale's Jan. 20-22 visit, he will try to convince Mexican President Jose Lopez Portillo to accept the U.S. Administration's program for halting the influx of undocumented workers, most of them Mexicans. Further pressure on Mexico can be expected when U.S. Labor Secretary F. Ray Marshall visits there only a few days after Mondale; Marshall is the author of the Administration's anti-illegal-alien policy. In the *Baltimore Sun* last week G. William Miller, Carter's appointee to head the Federal Reserve, said that "drastically curbing the flow of illegal aliens" was a priority for the U.S. because this could "reduce unemployment to 5 percent."

The U.S. embassy also announced that Mondale will discuss the issue of natural gas exports to the U.S. This issue has created tension between the two governments, since Energy Secretary James Schlesinger, whose energy policies have been backed in the past by Mondale, vetoed the import of Mexican natural gas last month,

alleging that the price was too high. The Mexican press has been speculating that Mondale will link the gas question with the illegal aliens program.

The Mexican government does not look kindly on the Schlesinger-Mondale pressures. "I don't believe the issue of the undocumented workers will be discussed" with Mondale, said the Mexican Foreign Minister this week, and in respect to the gas price issue he commented, "That is something that was already discussed with Schlesinger."

Contrary to the no-energy line being advanced by Mondale, Schlesinger, and their press outlets, Lopez Portillo declared that development of the country's oil reserves is central to his development perspective. In two major addresses this week, he called on the workers at Mexico's national oil company, Pemex, to "administer the abundance" of oil to continue to aid Mexico's fight for progress. "How can we face our succeeding generations," he asked, "if we have not converted the wealth of oil into permanent wealth in industry and agriculture?"

The Mondalites' Program

The following are quotes from the articles "The Oil Boom" by George W. Grayson, published in the winter edition of *Foreign Policy*; "Mexicans Concerned that Reliance on Oil May Aggravate Ills" by Alan Riding of the *New York Times* on Dec. 31, 1977; and "Mexico: The Coming Upheaval," by Stanley Karnow in the *Baltimore Sun* of Jan. 9, 1978.

"Oil may not help but harm"

Riding: Euphoria over Mexico's recent oil discoveries is beginning to give way to uneasy recognition that the new wealth will not solve — and may aggravate — many of the country's deep social problems.

Karnow: Many specialists argue...that oil may aggravate rather than solve Mexico's problems.

Population Control

Karnow: The upheaval is going to occur within the next decade...as a result of this country's inability to develop its economy to keep pace with the horrendous population explosion taking place here...that view is shared by the Carter Administration.

Grayson: Population now grows faster than the economy...Mexico's population is growing faster than that of any other major country, and the nation's appetite for energy seems insatiable.

Labor-Intensive Jobs

Riding: The principal concern is that Mexico's oil development and related industrialization will absorb huge amounts of capital...but create relatively few jobs...Some leftist analysts have argued that no rate of oil exploitation would release funds for more labor-intensive economic activities involving agriculture, small-and-medium-sized industry, and commerce.

Karnow: The prospect of instant wealth derived from oil profits is flawed by the fact that the investment required to develop the resource is enormous. Moreover, the new oil industry is only going to provide jobs for a small fraction of the youths entering the labor market.

Lopez Portillo's "Illusions"

Riding: Over the last year, the government of President Jose Lopez Portillo has used oil to strengthen Mexico's balance of payments and to renew foreign confidence in the country's long-term economic prospects. It has also indirectly suggested that oil is a panacea for all of Mexico's problems.

Karnow: Critics of the government contend that Mexican President Lopez Portillo is creating a dangerous illusion by dramatizing potential oil revenues as the panacea.

Pemex "Corruption"

Riding: Most observers also believe that, with the oil industry already in government hands, a principal beneficiary of the boom will probably be the long-ruling Institutional Revolutionary Party, which has been facing growing criticism in recent years... While Pemex is expected to lift the country out of underdevelopment, the company is said to be wracked by corruption and inefficiency.

Karnow: Other critics complain that the oil industry, which is controlled by the government, will serve mainly to strengthen the ruling Institutional Revolutionary Party, which has been in power for years.

Grayson: Of all the constraints, the most important is the inefficiency of Pemex...More important is the role of the powerful Petroleum Workers Union, which makes the Teamsters look like a bunch of Little Lord Fauntlereroys...While vested interest has succeeded in gutting President Carter's energy program, the Mexican chief executive...has begun to reorganize Pemex.

The Grayson Proposal

These are excerpts from the seven-point program for Mexico advanced by George Grayson in the winter 1978 issue of Foreign Policy magazine.

1. Immigration Control: The United States must act at once to stem the flow of illegal or "undocumented" Mexican immigrants to this country. At the very minimum, Carter's quasi-amnesty plan...should be implemented. Many experts insist that a combination of methods — ubiquitous electronic sensing devices, spotlight-equipped helicopters, noncounterfeitable work cards, sturdy fencing, criminal penalties for employers knowingly hiring unlawful workers, expansion of the U.S. border patrol, etc. — will improve the situation...

2. Population Control: The United States, through bilateral contacts and international financial institutions such as the World Bank, should provide all the assistance possible to Mexico's nascent family planning program...Mexico's oil earnings can finance a comprehensive rural family planning program.

3. Labor-Intensive Industry: Under President Robert McNamara the World Bank has insisted that developing countries undertake vigorous population control programs as a prerequisite of major assistance. A similar requirement should be applied with respect to labor-intensive industry...Among labor-intensive activities that might be emphasized are specialty farm crops in Northern Mexico, irrigation, soil conservation, and road-building projects throughout the nation.

4. Trade Policy: If Mexico embarks upon a serious program of labor-intensive production...the United States should facilitate the entry of more items into its market...this strategically important country should be allowed to send more products to the United States in return for exporting fewer bodies.

5. Tax Reform: At a time when many Third World nations are narrowing the gap between rich and poor, this social fissure is deepening in Mexico...an additional 60,000 million pesos could be generated each year if the collection machinery were streamlined. For technical guidance on fiscal matters, international lending agencies, the Internal Revenue Service, and American universities could help.

6. Energy Conservation: The government now sets low energy prices, thereby encouraging energy- or capital-intensive production. Conservation practices...should be encouraged. Technical assistance might come from the increasingly conservation-minded Canadian and American experts.

7. Energy Diversification: Because oil will last only a few decades, diversification of Mexican energy sources should be emphasized...There are major deposits of commercial grade coal...Mexico is one of the only countries with identified geothermal resources... But Mexico's greatest potential lies in solar energy...Success with solar energy might induce Mexico City's policy-makers to reevaluate their fledgling nuclear program, under which the first light-water reactor, Laguna Verde I in Vera Cruz State, will come on line around the end of the decade.

The Dirty Dozen, Or Why The New York Times Loves The British

The *New York Times* has taken lately to exposing the links between the CIA and the American press, and piously decrying the manipulation and perversion of the free press.

Most knowledgeable readers of the *Times* have been quick to observe that the exposés have served to downplay the role of the *Times* in collaborating with the CIA and U.S. State Department in black operations over the years. But, there is something deeper at issue: The *Times* series must be seen as a seditious, *British* intelligence-sponsored attack on traditionalist layers in the American intelligence community.

That's not so surprising when you realize that the *Times* has been, throughout its 125 year history, a mouthpiece for British financier factions in American politics. In fact, the *Times* is presently a corporate member of the International Institute of Strategic Studies (IISS), the semi-official think tank of the City of London's MI-5 and MI-6. The paper's editorial staff is so riddled with British agents-of-influence that we thought it might be useful to draw up a list of the top dozen, so readers of the *Times* will know who is giving them the news.

1. *James "Scotty" Reston* — columnist and member of the corporation's Board of Directors. A member of the British-allied Council on Foreign Relations (CFR) and attendee of the meetings of the Bilderberg Society, the international monetarists' club which is now under the domination of the Rothschild family. Reston models himself on his mentor, the late Walter Lippmann, who served as the spokesman in the U.S. for the City of London's Round Table policymaking body for over 50 years. During World War II, Reston worked with the Office of Strategic Services and the psychological warfare unit, the Office of War Information, and was associated closely with British Round Table circles. Reston's then editor, Turner Catledge said of those times:

"One day, he (Reston) invited me to join him and his wife, Sally, on a weekend visit with Lord and Lady Astor at Cliveden. . . . Cliveden . . . had been a famous mingling place for politicians and journalists for a decade — it was sometimes called the "second foreign office."

The "Cliveden Set," of course, was better known as the pre-1939 supporters of fascism and Hitler's *Drang Nach Osten*.

2. *Max Frankel* — The editorial page editor responsible for the paper's hysterical calls in favor of the dollar's collapse (as the *Times* puts it, "What dollar crisis?"). Frankel is a member of the Council on Foreign Relations, an attendee at Bilderberg Society conferences, and is a member of London's International

Institute for Strategic Studies. As with all *New York Times* IISS members, Frankel has withheld his membership from his official *New York Times* biography.

3. *Flora Lewis* — chief European diplomatic correspondent and expected to soon become the paper's foreign affairs columnist, replacing the retiring C.L. Sulzberger. Her specialties include hardly "objective" coverage of "Eurocommunism" and East bloc dissident movements — two phenomena which the European press has increasingly identified as British intelligence-run anti-Soviet operations. She too is a member of the IISS and the CFR.

4. *Seymour Topping* — managing editor, formerly foreign editor and Moscow and Bonn bureau chief. He owes his position largely to his marriage to the daughter of Chester Ronning, a Canadian diplomat and member of the British think tank, the Institute of Pacific Relations. Ronning helped organize the current British-Communist China rapprochement, and is believed to be linked to a 1973 Canadian-based activation of the Black September, a British intelligence-controlled terrorist group. Just prior to Nixon's first trip to China, Ronning arranged with the Chinese for Topping and James Reston to have an exclusive tour of China. Topping is a member of the CFR and the Asia Society.

5. *Sydney Gruson* — executive vice-president, who makes sure that the not terribly bright publisher, A.O. "Punch" Sulzberger, stays on course. Former *New York Times* London bureau chief, Gruson is politically and socially connected with the highest levels of IISS networks in the United States, though apparently he is not himself a member.

6. *Leonard Silk* — business affairs columnist and formerly an editorial board member. These days, Silk's major task is taking policy statements published in the *London Times* and *Financial Times* — including calls for the U.S. to suicidally conserve energy, raise interest rates, and force West Germany to reflate — and rewriting them for a U.S. audience. A member of the CFR (omitted from his official biography), Silk is formerly a Senior Fellow at the Brookings Institution, and, in 1965-1966, was a Ford Foundation distinguished visiting research professor at Carnegie Institute.

7. *Drew Middleton* — military affairs correspondent, former London bureau chief, and a member of the IISS. Age has slowed the quantity, but not the quality of his psywar on looming Soviet military threats, limited nuclear war and NATO. Author Gay Talese, in his book

on the *Times*, gives a succinct profile of Middleton:

He had been the London bureau chief for nine years; he was an Anglophile, a club man, and within newspaper circles he was known as "Sir Drew." He had worked in Russia, Germany and elsewhere, but London was his spiritual home...

8. *Richard Burt* — diplomatic correspondent with special emphasis on SALT talks. Hired by the *Times* in 1977 to replace Leslie Gelb (now with the State Department), Burt was formerly the assistant director of the IISS in London where he was a regular contributor to the *London Times* and *International Affairs*, the journal of the Royal Institute of International Affairs. Said one competitor of Burt's: "He knows all the sources personally. (Leslie) Gelb, Paul Warnke, and David Aaron (former Mondale aide who works with Brzezinski — ed.) are all chums of his."

9. *Robert Kleiman* — member of the editorial board, and leading NATO spokesman at the paper. He is a member of the IISS and the Atlantic Bridge, a group designed to maintain U.S. occupation control over Germany. During World War II he was, according to his official biography, "Chief of Office of War Information (a joint British U.S. intelligence effort — ed.) psychological warfare teams" attached to the headquarters of Generals Stillwell and MacArthur. He is the author of a 1964 book, *Atlantic Crisis: American Diplomacy Confronts a Resurgent Europe*.

10. *Anthony Lewis* — columnist and former London Bureau chief. Spends his time in Boston where he titles his column "Abroad at Home," and London where his column becomes "At Home Abroad." He once wrote about London that, despite the collapse of the city's services (45 minute waits for a subway), London still had the best theatre in the world, which was, after all, what really counted. In the early 1960s Lewis became the *Times* expert on the law and Supreme Court, a post created at the urging of James Reston and Felix Frankfurter.

11. *Roger Starr* — editorial board member. Starr is the author of the notorious November, 1976 *New York Times Magazine* article proposing that New York City undergo "planned shrinkage" by closing down entire ghetto areas and forcing two million poor people out of the city. This proposal coincided with the Felix Rohatyn-sponsored

conference in Saratoga Springs, N.Y. (also in November, 1976) which issued the blueprints for slave labor and urban relocation in the U.S.

12. *Alan Riding* — Mexico correspondent. He and his wife together serve as correspondents for the Lazard-controlled *Washington Post*, *Newsweek*, and *Financial Times* of London as well as for the *New York Times*. Last week, in a discussion about Mexico's resisting Schlesinger sabotage of a natural gas deal, the British national Riding told a member of the Mexican Labor Party that "López Portillo doesn't have the strength to follow the path of Echeverria. His only alternative is to pull down his pants and bend over," and "to shove the pipeline up his ass." The Mexican Labor Party has called on the Mexican government to expel Riding from the country as a British agent (see below).

Agents Emeritus

C.L. Sulzberger — recently retired foreign affairs columnist. First cousin of *Times* publisher A.O. Sulzberger, "C.L." is a member of the IISS and the CFR, and a frequent Bilderberg Society attendee. In 1967, he published a column on KGB agents in Western Europe that was written entirely by the CIA's E. Howard Hunt, a close friend of William Buckley. In 1941, the Nazis arrested Sulzberger in Slovakia for being a British spy.

Clifton Daniels — recently retired, having been London and Washington, D.C. bureau chief and managing editor. As the *Times* described him at his retirement, "He became known for his elegance — for his Saville Row suits, for his Southern accent, which acquired a certain British intonation, and for his courtly manners." Then, quoting Daniels: "It seems odd to say so, but it was fun (World War II — ed.). I had what the British used to call 'a good war.' I enjoyed my war and I survived without a scratch." And then, "the coronation was the greatest spectacle I've ever seen," referring to Queen Elizabeth's coronation which he covered for the *Times*.

This list admittedly does not do full justice to the *New York Times*, nor to its many aspiring royalists. Many, like Seymour Hersh, Tom Wicker, Abe Rosenthal, and others could certainly make a persuasive case for a place on our list.

—Patrick Koehlin

Mexican Press:

'Alan Riding Must Be Expelled'

Three leading Mexico City newspapers and additional regional papers this week prominently printed excerpts from a Mexican Labor Party call for the expulsion of *Financial Times* and *New York Times* correspondent in Mexico, Alan Riding, from the country. The PLM charged Riding with systematically presenting British intelligence scenarios and policies for Mexico in the guise of news reporting. Riding's attitude toward Mexico was summed up in an exchange with PLM members in Mexico in which Riding said President Lopez Portillo had no choice in dealing with Mondale and Schlesinger pressure except "pull down his pants and bend over."

The extensive coverage of the PLM call was widely interpreted as a signal that elements of the government are increasingly concerned about Riding's activities and are prepared to take more direct measures against him. The *New York Times* said today it had instructed Riding to deny making such a statement.

The PLM charges first appeared in a prominent page one article in *Ultimas Noticias de Excelsior* Jan. 10. They were repeated in political columns in both *Diario de Mexico* and *Ovaciones* the next day, and picked up in Monterrey papers at the end of the week.

The *Diario de Mexico* coverage, headlined "Alan Riding Must Be Expelled," ran as follows:

Attributing to him statements to the effect that "the Mexicans will have to put their pipeline up their ass" and that "soon the government of President Lopez Portillo will have no alternative but to 'pull down its pants'" before the official in charge of managing energy policy for the White House, the Mexican Labor Party yesterday

called publicly for the expulsion of the correspondent of the *New York Times* and the *Financial Times*, Alan Riding, from our country.

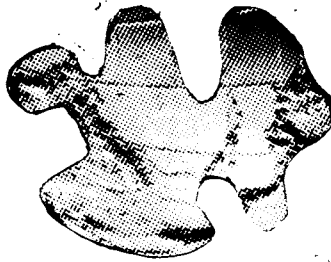
The Party also singled out the journalist Riding as an "agent of the intelligence and subversion of the Rothschilds" and noted that his "articles are nothing but open calls to impose a Schachtian economy on Mexico, which would claim the lives of millions of Mexicans."

From the column "Mirador Politico" in *Ovaciones* Jan. 11:

The expulsion from the country of Alan Riding for being an agent of the intelligence and subversion networks of the Rothschilds, acting under the cover of "correspondent" for the *New York Times* and the *Financial Times*, is demanded by the National Executive Committee of the Mexican Labor Party. The Mexican Labor Party also declares that U.S. Vice President Walter Mondale, in his upcoming visit to Mexico on the 20th of this month, intends to blackmail the government so that, as James Schlesinger would have it, Mexico conditions the sale of its gas to the neighboring country to the north to the implementation of large-scale birth control and pick and shovel labor in our country.

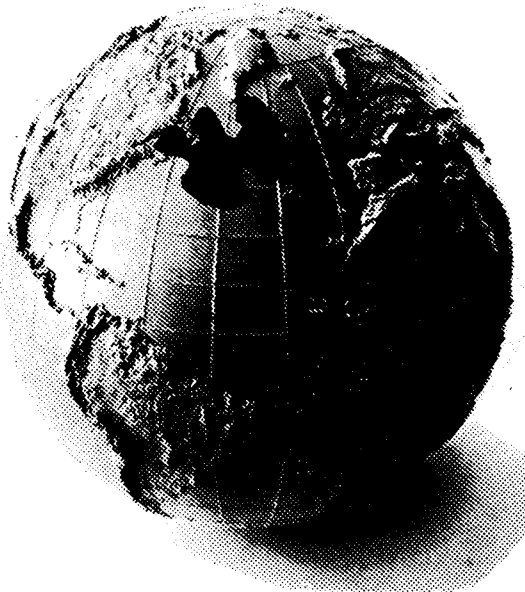
It declares as well that Walter Mondale, James Schlesinger and Zbigniew Brzezinski act de facto as British "agents of influence" within the Carter Administration. Thus, adds the Mexican Labor Party, Mondale will arrive in our country with a U.S. passport but following British marching orders.

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EXECUTIVE INTELLIGENCE REVIEW SPECIAL REPORT
DAILY ENERGY INTELLIGENCE BULLETIN
THURSDAY, JANUARY 11, 1978

LEADING U.S. BUSINESS DAILY CALLS FOR CUTOFF OF NUCLEAR COOPERATION WITH INDIA

JAN. 11 - THE WALL STREET JOURNAL, A LEADING U.S. BUSINESS DAILY, RAN A MAJOR EDITORIAL TODAY CALLING ON THE CARTER ADMINISTRATION TO CUTOFF NUCLEAR COOPERATION RELATIONS WITH INDIA. IN A SCATHING DENUNCIATION OF THE CARTER VISIT TO INDIA, THE "OPEN MINE" AUTHORIZE SUPPLY OF ONE SHIPMENT OF ENRICHED URANIUM TO INDIA, FOR FUELING TARAPUR. "SO WHILE THERE ARE AT LEAST SOME ARGUMENTS DID AFTER THE INDIAN EXPLOSION," THE JOURNAL CONCLUDES, "IT IS EASY ENOUGH TO BELIEVE THAT MR. CARTER DOESN'T NOTICE MINES AND IS IN ADDITION SO CONFUSED HE THINKS A LETTER WILL KEEP HIS HAND, PERHAPS IT WAS NOT THE INDIANS WHO WERE INTENDED TO OVERHEAR POLICY INTACT DESPITE THE HEAVY WATER SHIPMENT. BUT ON THE OTHER TO TELL US A LIE WAS USING THE CANDIDATE CARTER WHO PROMISED NEVER TO TELL US A LIE WAS USING THE PLOT TO MISLEAD THE AMERICAN PEOPLE."

WHAT IS REALLY GOING ON?

WHILE THE DUST HAS NOT YET SETTLED ON THE CARTER TRIP, BRITISH PRIME MINISTER JAMES CALLAGHAN HAS ARRIVED IN INDIA TO SUPPOSEDLY EVOLVE THE COMPROMISE FORMULA TO BRING INDIA INTO AN ACCEPTABLE STATUS ON THE NON-PROLIFERATION QUESTION. WHILE THE U.S. STATE DEPARTMENT TODAY ADAMANTLY DENIED ANY TRUTH TO THE STORY THAT CALLAGHAN "HAS SUCCEEDED WHERE CARTER HAS FAILED" AS PRESENTED BY THE LONDON TIMES, THE CALLAGHAN TRIP HAS OBTAINABLY TWO GOALS. ONE IS TO ARRIVE AT THIS TIME. TODAY'S SECRET "PROMISES AND CLOSING DETAILS AT A COMPROMISE AGREEMENT WITHOUT TOTALLY DIS- PLEASED" TO PAKISTAN WHERE HE WOULD USE THESE ASSURANCES ON ITS CONTRACTED FRENCH NUCLEAR REPROCESSING PLANT. CALLAGHAN ARRIVED IN PAKISTAN JAN. 11, ONE DAY AFTER THE NEW YORK TIMES ANNOUNCED THAT FRANCE HAS REQUESTED THE PAKISTANIS CONSIDER ALTERATIONS IN CURRENT CONTRACTS.

MIDWEST COLD FREEZES OHIO COAL STOCKPILES

JAN. 11 - AS THE NATIONAL STRIKE OF U.S. COAL MINERS AND COAL-HANDLING MACHINERY, A SPOKESMAN FOR THE ELECTRIC UTILITY TOLD THIS NEWS SERVICE THAT VOLUNTARILY CUT BY CUSTOMERS HAVE BEEN ASKED TO VOLUNTARILY CUT BY FACILITY IN SHIPPINGPORT, PA. HAS BEEN SHUT DOWN. HOWEVER, A SECOND COLD FREEZE IS PRE- THE UTILITIES AFFECTED ALL EXPECT TO HAVE TO WEEKEND. THE ONGOING MINERWORKERS' STRIKE ALTERNATIVE USED LAST WINTER FROZEN COAL. IN FRESH COAL TO REPLACE FROZEN COAL. THE OHIO STATE ENERGY OFFICE DURING TV COAL DELIVERIES TO RESIDENTIAL USERS.

A SPOKESMAN FOR THE U.S. DEPT. WILL DO NOTHING IN THE PRESENT SITUATION. HE ADDED THAT THE DEPT. PRODUCED BY THE ONGOING STRIKE AND UNTIL THEN THE GOVERNMENT CONSERVATIVE BRITISH FIRING OPPOSITION

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