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EXECUTIVE INTELLIGENCE REVIEW

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IN THIS WEEK'S ISSUE

By the time this issue reaches our readers, the Bonn Summit will be history...but the decisions made there, and the **follow-through** by both European and Japanese organizers of the Grand Design, and their British-led opponents...will be **determining the future** of the nation and the world...

* * *

Leading **INTERNATIONAL**, the Europeans' decision to go with a plan to **stabilize world currencies** at a **\$240-an-ounce gold rate**...in agreement with **U.S. Labor Party leader Lyndon H. LaRouche**...who has also spelled out the legislative program that **the U.S. must adopt** in the next 100 days to **join in the export boom** this decision will mean...

* * *

INTERNATIONAL also offers a full report on the **Bremen premeeting** and the latest plans for Bonn, and the British attempts at sabotage...a summary of the **official communiqué** announcing the European Monetary System...and the story on the **real Bonn energy policy**...We also present an **exclusive exposé** of the Israeli efforts to **supply U.S.-made weapons to the fascist Lebanese Falange**...aimed to trigger a war between Syria and Israel that could sweep aside the goals of the Bonn Summit in **global conflict**...

* * *

The **biggest question mark** is how **Jimmy Carter** will respond to the Bonn initiatives...In **U.S. REPORT**, the **turnaround** that's

emerging in Washington...leading many to predict that **Carter will not oppose his Bonn allies**...and **won't back the British schemes** to wreck the Summit...Included are a **survey of Washington opinion** from our bureau there that shows how some see the Summit as an **unprecedented opportunity** for a **U.S. economic recovery**...while others still hope to see it turned into a forum for **reflation and austerity demands**...Plus a sampling of the way the U.S. press has covered the Summit so far: a **shocking series of lies and distortions** that underlines how vital the **Executive Intelligence Review's** coverage is to any American decision-maker...

* * *

Our second major story in **U.S. REPORT** is the blowup over **Soviet "dissidents"** that has been aimed to disrupt the **SALT talks**...and the entire fabric of **East-West relations**...The tactic has been masterminded by the British and carried through by pawns like the National Security Council's **Brzezinski** and his mentor, **Henry Kissinger**...Their aim: to so **poison the climate** of international relations that the Bonn Summit's **Grand Design** will be doomed...And **on the other end** of the political spectrum, an **exclusive report** on the **NAACP's recent national convention**...that went **unreported in most of the press**...showing the **constituency for a growth-oriented U.S. national and foreign policy**...featuring **extensive excerpts** from NAACP Executive Margaret Bush Wilson's

convention speech calling for **nuclear energy development at home** and **high-technology development for Africa...**

* * *

Backing up our Summit coverage, an **ECONOMIC SURVEY** of the **prospects beyond Bonn...**citing French newspapers, Japanese press reports, and a wide range of **official and unofficial sources...**to show what the West German, French, and Japanese architects of the Grand Design will do to **further their cause after Bonn . . .** and what **options** the British oligarchs are eyeing to sabotage that future...

* * *

The **U.S. Labor Party's LaRouche** is featured in this week's **SPECIAL REPORT...**with a **book review** of former **Wall Street Journal** editor Jude Wanniski's book, **The Way the World Works...**and **Wanniski's own response** to the Labor Party's brand of political economy...LaRouche cites Wanniski as representative of the **Republican Party's Young Turks...**and uses his analysis of the current state of America's party politics to explain **the strategy that will put him in the White House in 1981...**

* * *

The organizing process that shaped the Bonn Summit is **not limited** to the advanced sector...In **THIRD WORLD** you'll read how

the Grand Design has **come to the Mediterranean...**in the form of a **precedent-breaking accord** between Turkey and the Soviet Union...with **details** on the **economic agreements** between the two countries...and on the implications for the region's volatile hot spots...Also in **THIRD WORLD**, a **warning** to those who think that **economic development** can be won by **political compromise...**an examination of how Venezuelan President Carlos Andres Perez's aggressive development policies are now **threatened from all sides** by allies of British intelligence and the Council on Foreign Relations...

COMING IN OUR NEXT ISSUE:

—Excerpts from the U.S. Labor Party's "friend of the court" brief in the California suit against the Proposition 13 "tax revolt";

—A fully documented background analysis of how one result of the Grand Design process has been to cool out the African hot spots, in southern Africa, in the Horn, and in the North;

—An exclusive report on the national political mobilization of labor and industry leaders and politicians of all parties to revive America's nuclear power programs.

INTER-
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LaRouche Calls For 100-Days Legislative Package To Lead U.S. Into New Monetary System

Lyndon H. LaRouche, Jr., the author of the "International Development Bank" proposal upon which the general outlines of the Bremen and Bonn economic summit agendas have been modeled, issued a call on July 13 to create the conditions for immediately bringing the United States into the new monetary system being created at the summits. LaRouche, who is the chairman of the U.S. Labor Party and a 1980 candidate for President of the United States, called for a "Hundred Days" legislative program to bring the American economy into a worldwide high-technology industrial boom.

The LaRouche challenge was issued when it became clear that President Jimmy Carter would return after July 17 from the summit in the West German capital convinced of the perspective of establishing a new, gold-backed monetary system for the world to bypass the World Bank and International Monetary Fund. As the United States chief executive was arriving in Bonn, those two institutions were being exposed as the worst violators of the very human rights to which Carter is profoundly committed.

In their place, France and West Germany, with Japanese backing have placed on the table the "European Monetary System" seed-crystal of a new global system to establish massive increases in world trade and the industrial development of the Third World through technology transfer. The explicit model for this was set forth by Mexican Foreign Minister Santiago Roel on his visit to France, in the form of Mexico's announced plans to coordinate *through* the European Monetary System the rapid development of its own nuclear power industry in exchange for pro-

viding oil and uranium to the already industrialized nations.

LaRouche's legislative package to bring the United States into this system centered on the following points:

- Creation of a new, U.S. credit institution to issue long-term, low-interest gold-denominated (with gold pegged at \$240 per ounce) bonds, for industrial expansion;
- Repudiation of the no-growth Schlesinger energy program;
- Repeal of the environmentalist restrictions on industrial expansion (substituting sane regulations where useful for the healthy development of the economy);
- Go-ahead for rapid completion of nuclear energy installations and the expansion of nuclear power potential throughout the U.S.;
- Repeal of all restrictions on high-technology exports, to allow full American participation in global economic development.

U.S. labor, industry, banking and political forces must now be pulled together in support of this "Hundred Days" program, LaRouche urged. As leaders of governing and policy-making institutions come to understand that the international program being implemented following Bremen and Bonn is in agreement with the International Development Bank conception, the presidential candidate stressed, they are comprehending that the United States can only be successfully brought into the West European-led "Grand Design" by following the specific direction indicated by LaRouche.

What Carter Can Do At Bonn

The U.S. Labor Party's LaRouche lays out a winning strategy

I have just read David Broder's black propaganda column, "Gloom Hangs over Carter's Europe Visit," in today's issue of the Chicago Sun Times. Contrary to the wild falsehoods currently being circulated by Broder and many other columnists and editors, President Carter has overwhelming potentialities to return from the Bonn Summit the shining hero of the hour.

Everything essential is already established. Unless London is able to launch its Israeli puppets into a new

Middle East war, the governments of France, West Germany and other nations have already established a new world monetary system, soon to be based on gold, which completely replaces the bankrupt, inflationary Bretton Woods system. The new European Monetary System is the keystone institution of a new world monetary system which replaces the International Monetary Fund and World Bank.

The key feature of the new monetary system is that it

ties up loose overseas U.S. dollar holdings in a new reserve pool together with gold. In due course, these dollars will be exchanged for bonds denominated in ounces of gold at relatively low interest rates. This pool will create credit for a rebirth of world trade, centering around nuclear and agricultural development projects for the developing nations. The dollars pooled will be used to buy up hundreds of billions of dollars of U.S. high technology exports for both Third World projects and for capital goods purchases by industrialized nations engaged in expanded exports.

Under this arrangement, I and my associates have precalculated that the U.S. dollar should move toward the asymptotic value of about 3.00 German marks, and monetary gold at free market prices to between \$230 and \$240 an ounce. This estimate is accepted by various key leading agencies involved in planning and coordinating the development of the new monetary system.

President Carter has already been briefed on these proposals by President Giscard, Chancellor Schmidt and others, as well as by other relevant channels. To come home with glory, Carter has only to dump the policies of the Brookings Institution (Kissinger, Schlesinger, Bergsten, Richard Cooper, et al.), to lift barriers to U.S. nuclear and other export licenses, and to aid Europeans and Japan in bypassing the IMF and World Bank in a new credit arrangement for development.

President Carter has the lever for bypassing the IMF and World Bank. Those institutions, under the current policies associated with outgoing IMF Director Witteveen and the World Bank's Robert S. McNamara, are guilty of creating massive violations of human rights throughout the Third World and other locations. IMF and World Bank conditions mean a combination of vicious, totalitarian regimes — to carry out vicious austerity measures — and forms of austerity bordering on willful genocide.

Carter will also benefit from the massive backlash against "drug decriminalization," "environmentalism," and related follies. The constituencies for high-technology, nuclear and fusion energy, and for job-creating industrial expansion and exports are on the move within the USA, led by key trade unions and the NAACP as well as industrialist forces. If President Carter returns from Bonn to announce the new arrangements put into place by the July 7 Bremen summit before the Bonn summit, he will trigger waves of rejoicing and relief throughout the majority of the population — a population filled up to the point of vomiting with Schlesinger's Naderism and Senator Jackson's profile as the leading "Manchurian Candidate."

— Lyndon H. LaRouche, Jr.

A New Global Monetary System

Bremen and Bonn: A program that can solve America's economic woes

The July 16 Bonn Economic Policy Summit marks the first step for the launching of a new global monetary system, based on the principle that the advanced western industrial nations must politically guarantee massive U.S. dollar investments in the industrialization of the Third World and the development of nuclear power energy resources.

As the new international monetary system begins to go into effect after July 16, unavoidable shifts in the present alignment of chief currencies and in the price of gold will occur. Leading European bankers concur with U.S. Labor Party Chairman Lyndon LaRouche, Jr., that the tendency for the coming months will be for the dollar to rapidly appreciate to the 3 deutschemark level; for the price of gold to climb to the \$240-300 range; and for the pound sterling to plummet, unless a major industrial development program is announced for Britain. (See LaRouche's comments in our Economics report.)

Conceived by prominent leaders of the dollar-surplus nations, West Germany, France, Saudi Arabia, and Japan, the new monetary system is an adaptation of the 1975 International Development Bank (IDB) proposal authored by LaRouche. True, the overwhelming majority of top U.S. officials do not presently recognize the political commitment by the U.S.'s chief allies to implement this program. But as dollar-surplus nations —

that is, holders of massive credit demands against the U.S. economy — these allies have the means to *impose* a complete reworking of the dollar-based international monetary system on the U.S. debtor economy.

The fundamental feature of the program now adopted as official policy by the leading dollar-surplus nations is that a stable international monetary system is founded on massively funded, multinational central banks, whose liquidity is channeled into long-term, low-interest trade financing, and into the creation of self-expanding import markets in the Third World. Such a system allows for a fresh look at East-West trade as the precondition for "triangular trade" relations sufficient to supply capital goods to the Third World. The whole approach finally sweeps away the "monetarist" outlook which governed Western economic policy deliberation under British domination into the disastrous Bretton Woods accord.

The European Monetary System

The historic, unanimous decision of the European Economic Community at its July 7 Bremen summit to found a European Monetary System (EMS), based on a multinational central bank capitalized at \$50 billion, and scheduled to begin operations Jan. 1, 1979, has set the stage for reform of the world monetary system.

Importantly, the EMS is being designed to be able to

also handle financing of East-West trade, for which unprecedented avenues for growth have been provided by the May treaty on economic cooperation signed by West German Chancellor Helmut Schmidt and Soviet Party chief Brezhnev.

On July 16, Japanese Prime Minister Fukuda will present to President Carter a world monetary program, designed to "internationalize" the EMS. As described by highly reliable official Japanese sources, the Fukuda plan is directly based on the EMS, and provides for financial mechanisms adequate to spur global economic growth in real terms, and substantial industrialization of the Third World.

As President Carter flew off to Bonn on July 13, the European-wide newspaper *Europa* published an interview with French President Giscard d'Estaing, in which he reemphasized the importance of the EMS by stating that the industrial nations must create "a flow of economic activity and investment in the direction of the Third World . . . A Marshall Plan for the Third World." He added, in obvious contradiction to the hysterical accounts of the EMS flooding the U.S. business community and Capitol Hill: "The EMS is a genuine monetary system, not a mere market tool . . . I have spoken with (President Carter). He told me that the (EMS), properly speaking, was a European policy, but that greater monetary stability in Europe was looked upon favorably by the U.S."

Why Believe Brookings?

The center of British ideological influence over U.S. economic policy, The Brookings Institute, and its computerized minions C. Fred Bergsten, Richard Cooper, and Henry Owen, presently occupying important posts around the White House, have been chiefly responsible for inundating the U.S. business community with reports that the July 16 Summit will not achieve major results.

The Brookings distortions have revolved around two assertions: that the dollar-surplus nations are pursuing an "antidollar," or even "anti-American" policy; and that the U.S. oil payments deficit presents an insurmountable barrier to a real U.S. economic recovery in the short term.

Richard Cooper's documented hysterics on July 11 and 12 demonstrates that the Brookings group has nearly reached its collective wits end to discredit the global monetary system supported by the U.S. chief allies, and implement in its place Brookings' preferred policy of an International Monetary Fund dictatorship over U.S. domestic credit allocations.

Speaking before a Mid-Atlantic Club luncheon July 11, Cooper reported that the EMS would "undermine the (IMF's) recently expanded 'surveillance' policy over exchange rate policies." Sources close to Henry Kissinger have emphasized in private interviews that the so-called IMF "currency surveillance" policy is directed at imposing massive austerity, and IMF "conditionality" on the advanced industrial countries.

This IMF policy is so unpopular in the U.S. that on July 12, speaking before the Senate-House subcommittee on Economics, Cooper attempted to retreat, by announcing

that the U.S. supported the EMS — on the grounds that it would facilitate implementation of the IMF surveillance scheme!

We can only surmise that Cooper got wind of the extensive preparations made by Giscard, Schmidt, and Fukuda to completely reshape Carter's outlook on July 16. On July 13, the *Wall Street Journal* gave evidence of the massive pressure now being exerted on the "Brookings boys" by Capitol Hill forces in contact with Giscard et al. The *Journal* editorial begins: "We keep having a vision of the week-end economic summit in Bonn: Messrs. Schmidt, Giscard, and Fukuda would send C. Fred Bergsten and all the other underlings out to play Frisbee, lock the door to the meeting room, and then spend the next four hours lecturing President Carter on basic economics."

All signals are that the major presentation to Carter will be delivered by Fukuda, and that the subject will be nuclear development. Sensitive to Carter's personal antipathy to nuclear power, Japan has designed a "trade-off" package to soften Carter's opposition to U.S. energy expansion.

Japan announced on the eve of the summit an emergency imports program of \$4 billion to "redress its trade surplus," often cited as the major source of U.S. dollar weakness. Informed circles assume that the Japanese have made this announcement to be in position to demand that the U.S. solve its energy imports deficit in return for the Japanese offer.

However, the Japanese have also made clear that a U.S. commitment to nuclear energy development must be included as part of this "return package." They have done this both by repeated offers to the U.S. for joint collaboration in thermonuclear fusion power development, and by announcement that a substantial portion of the \$4 billion import fund will be used to increase Japanese supplies of uranium.

Simultaneously, the report that Mexican Foreign Minister Roel has flown to Paris to discuss Mexican "partnership" with Urenco, the European nuclear consortium behind the West German-Brazil nuclear deal, confirms that Mexico has been mobilized by the dollar-surplus nations to act as a catalytic force in reshaping U.S. energy policy. It is a simple fact that U.S. multinational oil companies' commitment to develop Mexico's vast and unexplored oil reserves, based on handsome government depreciation allowances for the needed capital investment, would go a long way to relieving U.S. oil snags in the transition phase to a nuclear-power-based economy.

The Japanese also went a long way to halting, once again, the fall of the U.S. dollar on international markets last week. The announcement in Tokyo of a \$700 million loan to Brazil's Tubarao steel complex by three Japanese private banks on July 12 was an important factor in holding the dollar both to the 2.05 deutschemark and the 202 yen levels. U.S. investors should note that the Japanese are committed, no matter where the dollar stands in the coming weeks, to generate a consistent dollar capital outflow into long-term investments — a policy which promises favorable returns.

— Renee Sigerson

The Bremen Communiqué

The following declaration of principles of the new European Monetary System was appended to the European Community (EC) Council of Ministers Presidential statement, following the EC summit meeting in Bremen July 7. Proposed jointly by West German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing, the plan is scheduled to go into effect January 1, 1979, pending final EC approval this December. The new system has been described by one high-level West German official as having been "consciously conceived as the seed-crystal for a new international monetary system."

1. In relation to the regulation of exchange rates, the European Monetary System (EMS) will be at least as strict as the "snake." While the system is in operation, those (EC) member countries not participating in the snake can decide in favor of somewhat broader bands of fluctuation. Interventions will, in principle, occur in the currencies of the participating countries. Changes in assigned parities will be made by mutual consent. Non-member countries with especially strong economic and financial ties to the Community can become associate members of the system. The European Currency Unit (ECU — determined, like the European Unit of Account, on the basis of a basket of currencies) will constitute the core of the system; in particular, it will be used as the accounting unit between the various monetary authorities.

2. An initial reserve in ECUs (for payments among the

Community's central banks) will be formed, partially from deposits of American dollars and gold (i.e., 20 percent of the member countries' normal reserves), and partially from a comparable sum of member countries' own currencies. The utilization of the ECUs thus created through deposits of member countries' currencies will be subject to conditions which vary according to the amount deposited and its maturity; the need for extensive short-term facilities (up to one year) will correspondingly be taken into account.

3. The participating countries will coordinate their exchange rate policy vis-à-vis third countries. For this purpose they will strengthen consultations within the appropriate bodies and between the central banks participating in the system. The possibility must be sought out to coordinate interventions on behalf of the dollar, so that interventions do not occur at cross-purposes with each other. Central banks who buy dollars will deposit a portion of them (about 20 percent) and will receive ECUs in exchange; similarly, central banks who sell dollars will receive a portion of the proceeds (about 20 percent) in ECUs.

4. At most two years after the introduction of the system, the existing agreements and institutions will be consolidated into a European Monetary Fund (EMF).

5. A system of closer collaboration in exchange rate policy will only be successful if the participating countries follow a policy which leads, both domestically and abroad, to greater stability; this holds equally true for deficit and for surplus countries.

What Is The Bonn Summit's Energy Policy?

Part and parcel of the dramatic trade-and-development-based monetary accords expected to come out of the July 16 meeting in Bonn is an energy perspective centered on the most advanced forms of technology.

At the forefront is Japanese Prime Minister Takeo Fukuda. His government has officially announced that at the summit in Bonn he will renew his calls to the U.S. Administration for cooperation between the two nations on making thermonuclear fusion power commercially feasible. (For more on Fukuda's announcement see this issue's ECONOMIC SURVEY.)

French and West German leaders are also reportedly emphasizing that conventional nuclear power be encouraged and developed, as the alternative to continued dependence on shrinking oil supplies.

And both the Europeans and the Japanese stress that the Bonn proposals are aimed to bring about worldwide economic expansion for which vastly expanded energy supplies will be vitally necessary.

Why is it, then, that American newspapers and magazines are reporting just the opposite: that at the Bonn summit Europe and Japan will demand the U.S. cut oil imports and will impose oil consumption cutbacks on themselves.

In large part, such stories are, like most of the American press's Bonn coverage, simply deliberate lies, or lies ignorantly passed along as fact. Take, for example, *Time* magazine's July 17 report that the Bremen summit "agreed to cut Common Market oil consumption by half over the next seven years," putting "new pressure to curtail U.S. oil imports." No such report has appeared in any European source. However, the July 9 issue of the French daily *Le Monde* notes that, in addition to the many important resolutions made at Bremen, the nations agreed to cut oil imports in half over the next seven years — while developing nuclear and other alternatives as rapidly as possible. In debate on the issue, West German Chancellor Schmidt reportedly was one of the most vocal proponents of nuclear energy development. The implication is far different than *Time's* story.

Nevertheless, it is undeniable that Schmidt and others have included calls for a U.S. oil-import cutoff and for congressional passage of the Administration's disastrous low-growth energy bill in some of their recent statements.

This reflects primarily the Carter Administration's insistence that it be so addressed, if its allies hope to win

even a hearing for their economic and political proposals. As one source close to Schmidt said, "It's a cheap shot."

The danger is that defensiveness toward the U.S. and, worse, cynicism about its political will to join the West Germans, French, and Japanese in a positive strategy

for world economic recovery, will become predominant. But neither the Bonn Summit leaders, nor America itself can afford to let the U.S. remain outside. The best answer to the European and Japanese "oil import cutoff" statements will be a firmly positive U.S. stance at Bonn.

— Tessa DeCarlo

Israel Arms Nazi Falange With U.S. Weapons

Exclusive expose of attempts to provoke a Mideast war

Exclusive to NSIPS

General Moshe Dayan and the Israeli government are resupplying the fascist Lebanese Falangist militia with heavy weapons, including tanks, to provoke a showdown with Syria.

The massive Israeli resupply effort, which began July 5, is in preparation for an extremist Christian declaration of an "independent" Falangist-controlled state in central Lebanon. This declaration, coupled with the expected resignation of Lebanon's President Elias Sarkis, would trigger a war between Syria and Israel, a conflict that is aimed by Israel and its City of London backers to wreck this week's economic summit for industrial nations in Bonn.

The weapons in question, now in the hands of the Falangist gangsters, are of U.S. make and the transfer of these weapons into Lebanon is a direct violation of the terms of the U.S.-Israel military agreement. The U.S. Labor Party is pressing the White House, the State Department, and Congress to investigate the illegal arms transfer and to suspend arms shipments to Israel.

According to West German sources, the State Department is already in possession of firm evidence of the Israeli resupply effort. State Department spokesman Tom Reston told New Solidarity, however, that the U.S. has "no evidence of an illegal arms transfer." Several congressmen have begun inquiries.

West German sources also stated that, according to their information, the Israelis intend to provoke a war with Syria, over Lebanon and the Golan Heights, and that West Germany believes that the Israelis intend directly to upset the Bonn summit. A war over Lebanon, most analysts know, could spread into a general conflict in which Israel could destroy Arab oil fields using nuclear weapons.

The containment of the Israeli threat is thus the prime necessity to ensure the success of the Bonn meeting.

Partition Plot for Lebanon

The same West German sources emphasized that, "No

matter what the press says about a cooling-off in Lebanon, an Israeli-provoked explosion of that country is a fully live option."

Such a scenario would begin with the declaration of an independent Falangist state in Lebanon. That announcement would be calculated to provoke Syria, whose 40,000 troops keep Lebanon together, to move militarily to crush the fascist state. A State Department source said that, in that instance, Israel would launch air strikes against Syrian forces in Lebanon. Other sources have elaborated this scenario, indicating that Israel has redrawn battle plans to move straight through the Golan Heights into Lebanon for a head-on clash with Syrian troops.

President Sarkis, the sole political figure who can unify the country, is threatening to resign under heavy pressure from the Falange. His resignation would plunge the country into chaos, and several rival factions would compete for power, leading to almost certain war between Syria and Israel.

The Syrian Information Minister warned this week that an Israeli move into Lebanon "would mean war with Syria." He also warned the rightists that Syria intends to "crush" anyone who acts contrary to Lebanon's national unity.

But the Syrians lack both the military force and the finesse to eliminate the political power of the Falangists, who are entrenched into East Beirut and the surrounding mountains. In addition, President Assad of Syria is under great pressure at home to prove that his intervention into Lebanon two years ago was not a failure, and so is prone to overreact. Last week, when heavy Syrian forces shelled civilian zones indiscriminately, Syria was accused of using too heavy a hand.

The solution, temporarily, lies in a formula for national reconciliation in Lebanon. Some moderate Christian elements, linked to other pro-Syrian Christian forces, are looking to strike a deal with Lebanon's Moslems. They may also hope to win over Pierre Gemayel, the leader of the Falange, thus isolating the ultra-extremist Camille

Chamoun and his followers.

But Gemayel, who is bolstered by Israeli military backing, is playing tough. He predicted the "overthrow of the Syrian regime" if Assad refuses to compromise, and he hinted at Falangist support for partition.

Behind the scenes, Saudi Arabia and the United States are putting pressure on Lebanon and Syria to cool down the situation.

The Geneva Option

The Lebanon crisis provided a ready-made pretext for direct U.S.-Soviet collaboration to prevent the Middle East from exploding. According to official Arab sources, at the height of the Lebanese crisis last week, when Israel had threatened to intervene militarily, the Soviet Union sent a strong message to the Israeli command warning them against any attack on Syria. Secretary of State Cyrus Vance, who knew of the Soviet warning, did not object.

At the same time, Vance initiated consultation at the United Nations about possible Security Council action to cool down Lebanon, and the Soviet Ambassador was kept informed.

The question that now remains is whether Vance, in his meeting today with Foreign Minister Gromkyo of the USSR, can arrange for continued U.S.-Soviet cooperation around a reconvened Geneva conference on the Middle East. Both West Germany and Saudi Arabia have demanded in recent weeks that the U.S. and USSR work together on Geneva, and the Europeans are fully aware of the importance of a Middle East settlement as part of the general Grand Design for international economic growth.

So far, State Department sources insist stubbornly that the United States will continue to pursue the deadend Israel-Egypt talks. On Tuesday, July 18, Foreign Minister Dayan and Foreign Minister Kamel of Egypt are scheduled to meet in London, with Vance, to "negotiate." But the Israelis have ridiculed the Egyptian plan, and Dayan himself stated that the London talks will

be a "waste of time," adding sarcastically that he will go because he wants to "see some shows" he missed.

Zalman Shoval, a hard-core Dayan supporter, denounced the Sadat peace plan as "very extremist."

Sadat's plan calls for the West Bank and Gaza to be returned to Jordan and Egypt, respectively, with a transition period until the Palestinians can exercise "self-determination." It also calls for extensive security guarantees for Israel. But the Cabinet of Israel rejected the plan outright.

Sadat's Gameplan

Sadat, backed by the Saudis, is dealing with three Israeli factions. The first bloc, led by Dayan and Ariel Sharon, opposes any negotiations with Egypt and is pushing for a war. The second, led by Defense Minister Ezer Weizman and Labor Party leader Shimon Peres, wants Sadat to sign a "separate peace" between Israel and Egypt, and for those two countries to form the foundation of a NATO-style anti-communist alliance in the Middle East.

This was the basis for a plan put forward by the Socialist International and Social democrat Willy Brandt, who engineered a meeting in Vienna this week between Sadat and Peres. The meeting, from all accounts, did not succeed, since Sadat refused to endorse the Cold War plan proposed by Peres and Brandt.

Immediately afterward, Sadat met UN Secretary-General Kurt Waldheim and discussed possible steps to reconvene the Geneva conference, including a preparatory conference to be held at UN headquarters in New York. Meanwhile, Sadat's meeting with Peres, the Israeli opposition leader, further shook up the divided Israeli government.

The Israeli strategy seems to be to try to provoke the Egyptians into breaking off the talks, so that Israel can win propaganda points by accusing Sadat of refusing to talk peace. But Sadat, who is seeking American support for his position, does not intend to fall into that trap.

— Bob Dreyfuss

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The Education Of Jude Wanniski

U.S. Labor Party head LaRouche assesses the GOP's Young Turks

July 5, 1978 — Jude Wanniski, until most recently part of the editorial page of the *Wall Street Journal*, is a key figure among a promising group of the Republican Party's current generation of "Young Turks." Unless this group, typified by Representative

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into the pit of Proposition 13, it will probably become an increasingly significant part of the political combinations needed to get the United States through the period into 1985.

Like Jack Kemp and Jude Wanniski themselves, the group is to be described as bright, vigorous, dedicated, and determined to win. Whether they do or do not fall into shallow thinking, or run up into gimmicky and gadgety detours now and again, they are determined to learn and are learning rapidly — sometimes lingering too long in the wrong classrooms. There is a valuable, refreshing quality, a promise about the whole affair.

The group, insofar as I have had direct and efficient indirect access to observing it, has a fierce independence of temperament — which is to be respected as a quality currently lacking around the precincts of the Republican National Committee — and a brevity of concentration span — which must be corrected, lest the group be wiped out in the thousands of ambushes lying along the path it is seeking. As Jude Wanniski emphasizes repeatedly in his current book, they are learning. If they can correct their proclivity for too-short concentration spans and learn the importance of depth of knowledge, this learning process, this disposition for learning, will probably bring them through the hazards toward which they appear to be plunging presently.

In terms of political combinations, the weakness of the group centers around the fact that it has not shown adequate insight into the significance of Eisenhower's Atoms-for-Peace program and such included features of our nation's "Old Boy" elite as Stimson Eisenhower Democrats. The hideous lack of principle shown currently by Brock, Rhodes, and Baker, the incapacities of Gerald Ford, the confusion and ineptitude of the Reagan forces, the dismaying vacillations of John Connally — these obvious problems of the Republican Party are too much in the group's eyes. They tend to throw out the baby with the bath water. They tend

therefore toward shallow, populist innovations.

I am disposed to be tough with the group, to the point of infuriating them with my rudeness — as one should be firm with a friend blindly canoeing downriver to Niagara Falls. Matters such as Proposition 13 and the connected implications of the so-called Laffer Curve are exemplary of the issues on which I am uncompromisingly rude, employing such terms as "charlatanry," "lunatic populist gimmicks," and so forth.

At the same time, I strongly encourage forces such as key Eisenhower Republicans and Democrats of the Stimson Eisenhower tradition to recognize the deeper moral virtues of the Young Turks and to act to ensure that these Young Turks develop the depth of knowledge and breadth of concentration spans needed to ensure success in the ongoing learning-process to which the Young Turks are commendably dedicated.

I am not proposing that Representative Jack Kemp's career be held back, so that he might acquire greater experience and maturity before plunging ahead. The weaknesses of the Republican national leadership generally oblige persons such as Kemp to take over in the manner a field-grade officer must sometimes take over from a general who has gone round the bend in a crisis.

Jude Wanniski,
The Way The World Works,
Basic, New York, 1978,
Price: \$12.95

The Republican Party has a "lost generation" among the nominal leaders who presently nominally bridge the gap between the Eisenhower period and the new leadership of the 1980s. It is unfortunately necessary to hasten the kicking upstairs of the "lost generation" typified by Brock, Baker, and Rhodes, and to bring the new generation along even before it might be deemed "ready" by ordinary processes of maturation. The destructive effects of Henry A. Kissinger and Richard Viguerie require this otherwise imprudent course of action.

This should be a nonpartisan concern. Republicans who represent the influence of Eisenhower's Atoms-for-Peace, Democrats who represent the tradition

associated with Stimson, and the U.S. Labor Party must view this matter from the vantage-point of nonpartisan national interests. The situation is analogous to the situation in which mature directors of a corporation put 40-year-olds into top positions in a large corporation. Such is done because those appointees have the qualities to succeed, provided they have the guidance of maturity and breadth of concentration span. I am not suggesting Jack Kemp or someone like him for President in 1981. I am thinking immediately of the composition of the U.S. Congress under my own 1981-1985 Administration, and the quality of state and local government. These Young Turks are part of the combination needed in leading offices during the 1979-1985 period.

Wanniski and the LaRouche Presidency

For reasons which tend to escape all but the most sophisticated circles in the United States and abroad, I shall probably be President of the United States from January 1981 through January 1985 . . . unless I am assassinated by forces allied to the British monarchy during the coming period. Barring global catastrophes and my premature death by assassination, the majority of the industry-centered elites in the USA will be committed to my presidency by the summer of 1979. Under conditions so determined, I shall win up to 70 percent of the electorate during the period from autumn 1979 through November 1980, a constituency built around organized labor, minorities, scientists and engineers, and progressive farmers.

Probably, I shall be selected, however reluctantly by some, as the only visible figure qualified to accomplish a definite task during the 1981-1985 period: to set into motion "Grand Design" policies which ensure the prosperity and security of the United States for at least a century to come. If this is not the case, I shall be at least a decisive factor in determining who is selected to perform that role in the White House. However, barring global catastrophes and my British-coordinated assassination, I shall probably be President from 1981 into 1985.

Then, beginning January 1985, I shall be succeeded in the White House by some leading Young Turk from variously the U.S. Labor Party, the Republican Party or the Democratic Party. During the coming period, into July-August 1983, the combination which determines my election as a possibility (which I, as candidate, must then transform into actuality) will demand a one-term perspective of me, and will also demand arrangements under which the Republican and Democratic parties are internally strengthened, especially in quality of potential presidential candidates, for the 1984 general elections.

The leading force shaping the possibility of my election by the Summer of 1979 will coalesce around mature figures of the first decade and a half of the post-war period. They will not be U.S. Labor Party supporters as such — at least, not in the main — but rather persons who have the depth of understanding which prompts them to see that I am uniquely qualified to do a job, that no rival approximates my developed capabilities for that

Wanniski: Technology, Adam Smith...

On May 16 New Solidarity newspaper published a review of Jude Wanniski's book The Way the World Works by this magazine's Economics editor David Goldman. (Goldman's review was reprinted in our June 20-26 issue, Vol. V, No. 24.) On June 6 Wanniski, then Associate Editor at the Wall Street Journal, replied in a letter that New Solidarity published in its June 16 issue. We reprint it in full here.

Dear Sir:

I eagerly looked forward to David Goldman's review of my new book, "The Way the World Works," and was not disappointed when it appeared in *New Solidarity* on May 16. Mr. Goldman is not only one of the best informed economists in the country but also a relentless philosopher who somehow manages to breathe life into Marx and Plato where others fail.

He instantly puts his finger on the few differences that remain between *New Solidarity* and *The Wall Street Journal*, but each time he gives me credit for saying more than I do. Yes, *New Solidarity* is neoplatonist and Wanniski an aristotelian, by which I mean *New Solidarity* is politically elitist while I am a democrat. But Mr. Goldman's finger pushes me beyond democracy into anarchy with his statement

that "according to Wanniski, there is no such thing as political leadership." He would be accurate if he said "according to Wanniski, the philosopher king is not as wise as his people." I do believe, and say so repeatedly in the book, in political leadership insofar as individuals attempt to lead not by their wisdom but via an ability to discern the wisdom of the electorate. I suppose he fairly characterizes me as an advocate of "Kennedy-style" consensus. But I believe one must either be a consensus leader or a coalition leader. Once you go the coalition route as a matter of philosophy, you must be prepared to accept genocide in that limiting case by which the majority coalition can only proceed by extinguishing the dissidents. Yes, I'm for consensus.

Mr. Goldman and I are more in agreement on economics than on politics. This is because I give equally high marks to Adam Smith and Karl Marx, two sides to the same coin in that the one presents an ideal of income growth and the other an ideal of income redistribution. Mr. Goldman, a passionate Marxist, alas has no room in his heart for Smith; a "fraud, a scurrilous slander" is how he describes "Wealth of Nations."

Again this puts a finger on *New Solidarity's* difference with me. Denying Smith his due leaves Mr.

function. As part of the price for that, they will assent to a three-party system in the United States for the period from 1980 onwards. However, they will demand a strengthening of the quality of the Republican and Democratic parties in return for that arrangement.

In particular, they will demand that forces typified in part by the group associated with Jude Wanniski be part of the policy-combination, and also beneficiaries — as potential leading candidates — for the period beyond 1983.

This will succeed in the following way. Once the constituencies I have identified perceive, say as of January 1980, that I am a credible alternative, those constituencies will treat my candidacy as a serious proposition, such that by the end of spring 1980, 40 to 50 percent of the electorate should already be leaning toward my election, and by August 1980 a clear majority will be committed. The election will be facilitated by arrangements modeled on the placing of Dwight Eisenhower into the presidency in 1953.

This process will soon be prepared by waves of "cultural shocks" which establish the importance of my candidacy — a probability which depends on the world's avoiding global catastrophes during the summer of 1978. Barring catastrophes, or London-coordinated assassination, by the autumn of this year I shall become a key figure within a "counterpole" of U.S. policy-making, a new kind of "loyal opposition" to the current Administration — an anti-Kennedy variety of "loyal opposition."

As that probable development emerges, the importance of various groupings, including probably the grouping associated with Jude Wanniski, will come into focus.

It is urgent, this year, that that process contribute to shaping both the Congress and the evolution of the composition of the Carter Administration's Executive Branch for the remainder of the present term.

It is from that standpoint that Jude Wanniski's current book ought to be examined. Any other standpoint would tend to lead into hollow, useless abstractions. The point is not, however, to concentrate on the indicated Republican Young Turks. The point is to use this critical examination of Wanniski's text as a model for assessing many other groups coming up within both the Republican and Democratic parties. The point is to determine what is required now, to build the sources of future national leadership within those parties, to shape the process of weeding the "Kennedy machine" and similarly undesirable elements from their undeserved positions in political machines and in government.

The "Laffer Curve"

Wanniski's text largely speaks for itself. In the cat-bird seat afforded by the editorial page of the *Wall Street Journal*, including access to key political strata, Wanniski developed the correct view that the shapers of recent and current U.S. economic and monetary policy were hopelessly deficient in both foresight and hindsight. Wanniski set out to discover and to learn. Discovery and

...And Consensus Versus Coalition

Goldman in the hopeless position of arguing there is no connection between individual effort and individual reward in the political economy. Well aware that such a position cuts against all human experience, and thus seems foolish when stated plainly, Mr. Goldman uses his finger to push me to a foolish point, saying "Wanniski has an utterly contemptuous view of the American people, that is, assuming that their one great motivating force is after-tax income."

Such a belief could not be held by anyone who gives Karl Marx his due, as I believe I have done. I do believe, and say so repeatedly in the book, that individuals work for themselves, and that other things being equal, they will respond with greater effort the greater the reward. But I also insist they work for the collective good, the commonweal, which also means they work for pretax income. My greatest disappointment with Mr. Goldman's review is that he does not come to grips with the central instrument of my economic analysis, the Laffer Curve. Surely Karl Marx would love the Laffer Curve, which simply posits that there must always be two tax rates that produce the same revenue: Either a high rate on a low-production base, or a low rate on a high-production rate.

The trouble with Mr. Goldman here, I think, is that

while he is as passionately committed to making America great as am I, his prescription happens to be different, so he must close his eyes to the theory that produces my prescription. I fully accept his idea that the basis of economic society has much to do with the dissemination of science and technology, the absorption of technology by an educated workforce, elevation of labor's productivity through application of technology to capital investment, etc. But I believe I, like Marx, would oppose forcing technology upon the citizenry through the illusion of debt finance. *New Solidarity* steadfastly inveighs against British-style imperialism, to my steadfast applause. But *New Solidarity's* prescriptions of new technology for the Third World is based on the same economic theory that led the British to force a new technology (railroads) down the throats of the Indian ryot a century ago, a practice that annoyed Marx no end. Come, come David Goldman and *New Solidarity*. Admit we would all be happier lower on the Laffer Curve and most of the important remaining differences between us will disappear.

Sincerely,
Jude Wanniski

learning are the key terms to characterizing the book as a whole, characterizing the associated group of Young Turks as a whole.

The most prominent feature of that discovery and learning process at this moment is ostensibly represented by the so-called "Laffer Curve," which Wanniski attributes largely to the combined influence of 36-year-old Arthur B. Laffer and a 45-year-old Canadian, Robert A. Mundell. Mundell, in my estimate, is less than useless, professionally and epistemologically incompetent in the fields of economics and monetary policy. Laffer is wrong, but clearly brilliant, and has recognized a valid point of fiscal and credit phenomena, while interpreting that evidence in an altogether wrong way. Anyone competent in economics—and there are admittedly few such — is struck by the moral incompatibility of a Laffer and Mundell, the alliance of an active and a dead intellect, the alliance of a promising young intellect and a intellectually stagnant and wrong-headed former patron and teacher of the youthful Laffer. The problem is that Laffer has attempted to interpret his observation by adapting it to a preexisting, "respected" school of economic doctrines.

Laffer's key point is that there are always two tax rates which produce momentarily the same tax revenue. This is factually correct, provided the reasons for such a curious phenomenon are properly adduced. Laffer's secondary point involves the "wedge," the excessive direct and added unaccounted costs introduced between such persons as buyer and seller through unsound growth of bureaucratic procedures and agencies. This latter is correct as a simple matter of fact, but Laffer does not understand the reasons for the phenomenon adequately.

Put simply, if a lower rate of taxation promotes expansion of the tax-base, then the gross tax revenues will be at least equal to a higher rate of taxation which suffocates expansion of the tax base. What Laffer does not understand is that the success of efforts to operate on the "lower branch" of his "Curve" depends on the expansion of per capita wealth effected through high-technology, capital-intensive progress, including high rates of expenditure, including rising real incomes of households of productive operatives, in developing the labor-force at rates anticipating the future advancement of productive technology.

In other words, Laffer has not learned to speak Japanese.

Here, in today's United States, we are flanked by two models of capitalist policy and development. The stagnating U.S. economy is flanked across the Atlantic by a decaying British economy, and across the Pacific, by a Japanese economic miracle. Yet, the economic and related doctrines taught in our universities and worshipped in our Congress and temples of finance are based on emulation of British thinking. Indeed, our admirers of Jean-Baptiste Say, Adam Smith, Keynes, Schacht, Milton Friedmann, and other apostles of British ideology have the effrontery, the shamelessness, to argue that their policy-outlook is based on "lessons of experience!"

Japanese policy, based inclusively on the "dirigist" policies of Alexander Hamilton and Henry C. Carey, employ the credit and fiscal resources of the state to create modern industries owned by private

entrepreneurial interests, such as the Mitsubishi group. Japanese policy directs the employment of the fiscal and credit resources of the state to the national purpose of rising rates of national real economic growth—not our hoked-up, fictitious parameter of Gross National Product. Japanese policy is based on the Federalist-Whig principle that advances in knowledge are uniquely the source of increases in total and per capita wealth, and that high-technology capital goods and productive methods are the indispensable mediation of advancing knowledge into the forms of increased rates of per capita output of tangible wealth.

The British model rejects the principle of growth, and emphasizes instead "equilibrium models" — i.e., forced stagnation policies. The British models presume a relatively fixed world market for tangible output and concentrate upon extracting increased monetary wealth (to the account of the City of London) through usurious methods derived from ancient Babylonian tax-farming practices.

What the United States requires is a three-fold correction in its fiscal and credit policies.

First, there must be a *high* basic rate of taxation on income.

Second, there must be accelerated depreciation and amortization tax-exemption credits for all useful forms of *tangible* improvements in industry, agriculture and infrastructure, combined with a selectively low interest rate for credit to high-technology-oriented capital-intensive investment in effecting useful, tangible improvements in industry, agriculture, and infrastructure.

Third, the basic tax-exemption on household incomes must be raised as rapidly as possible without disruption, eliminating the bulk of the "wedge" problem of which Laffer and Wanniski complain.

The result of these policies, in Laffer's terms of reference, is as follows.

We create a two-tier fiscal and credit system, in which stagnation and nonproductive speculation is taxed at relatively punitive rates, forcing flows of credit and savings into lower-taxed areas of either equity in technology, capital-intensive investment or private credit to investment and hard-commodity trade flows.

We restrict government purchases of goods and services to efficient bulk purchases and eliminate the inefficient, bureaucratic substitution of a welfare worker, etc., for the purchase decisions of individual households.

The fallacy of Laffer's work ought to be clear from this standpoint. Mundell is the symptom of the follies of Laffer. The foolish, eclectic accommodation to British lunacy — "equilibrium models" — defines precisely the point at which Laffer's useful recognition of two phenomena proceeds into the fostering of dangerous "tax-reduction" quackery.

The problem of the USA is not that taxes are too high. Taxes on real income are in fact too high because a rising tax burden falls on a shrinking production basis. To lower taxes without acting simultaneously to expand the tax-base in high-technology production is sheer lunacy, the road to national bankruptcy and aggravated social chaos.

Proposition 13 proponent Jarvis may not intend to be a

racialist, but the effects of his proposals are viciously racist. Without expanding industry, without increased expenditures for education and housing, the lumpenized and semilumpenized minorities and others in that condition are going to be either a growing welfare problem or the raw material for a Dionysian horde of social chaos. The fact that some exponents of Laffer's work do not recognize the lunatic charlatry of Jarvis's Proposition 13 is symptomatic of the follies of Laffer himself.

Properly speaking, the United States ought to be the most enthusiastic allies of Prime Minister Fukuda and Chancellor Helmut Schmidt. Japan can not survive without an expansion of high-technology exports. West Germany depends on approximately 30 percent export ratios of high-technology tangible goods to prevent the economy and nation from plunging into chaos. The United States can not recover from the current world depression without an expansion of exports of high-technology goods in the order of at least \$100 billion annually. Without expansion of these national economies, we are on the track toward the worst depression in history, and virtually inevitable total thermonuclear war. This requires massive export-credits, especially export credits to Third World countries, without which the world market cannot be expanded sufficiently to avert chaos.

Any version of "economic equilibrium" doctrines is criminal lunacy. It is that aspect of Laffer's thinking, the overlap of Laffer and Mundell, which leads into the wild charlatry of supporting the confused Mr. Jarvis.

The key enemies of the United States are the "environmentalists" and the supporters of the present policies of the International Monetary Fund, World Bank, and "Brandt Commission." We must put our citizens back to work in expanding numbers of high-technology, capital-intensive jobs, an expansion which depends upon cooperation with allies, such as Japan, France, West Germany, Italy, to vastly expand Third World markets for high-technology imports. The "environmentalists" and the supporters of Witteveen, McNamara, and Willy Brandt are in effect the enemies of the United States in particular and of the human race in general.

We must shape our national fiscal and credit policies to the indicated purpose. In consequence of such new policies, tax rates on productive investments and basic household incomes will fall while tax-revenues increase. What Laffer desires can be accomplished, but only if one adopts a tactical approach exactly opposite to that Laffer and his associates currently propose.

Unless Jude Wanniski and his allies learn this quickly, they are headed toward disaster, to the discrediting and ruining of those promising individuals associated with the Republican Party's Young Turks.

The Indira Gandhi Case

It is exemplary of the folly of Lafferism that Jude Wanniski totally misrepresents the recent electoral defeat of Mrs. Indira Gandhi.

First, Indira Gandhi is probably the only national figure qualified to lead India at this juncture. She was not brought down by her tax policies, but by the association of her son Sanjay with the Ford Foundation-linked

programs of forced sterilization. This problematic feature of her campaign was intersected with hideous operations run chiefly through various branches of British intelligence, including, notably, collaboration between Peking and the Brandt-linked forces of the Socialist International, plus the emergence of a hideous, fascist movement in India, the RSS. The tax-reduction program was used by forces in an effort to bankrupt the Indian economy — which had recovered under Mrs. Gandhi's continuation of her father's policies — and to halt thus the high-technology development India urgently requires.

There are two principal, contributing features to Wanniski's credulous misrepresentation of simple facts in the Gandhi case.

First, immediately obvious in his misrepresentation of the India case, Wanniski permits his enthusiasm for Laffer's tax-reduction gimmickry to outrun his judgment, twisting facts, selecting facts to fit his nostrum.

Second, more profound, Wanniski proceeds from a naive, incompetent, populist misconception of the political process in general. He, and the group of Young Turks associated with him, understand nothing of real politics yet, ignorant of the fact that the road to disaster is paved with what appear to be short-term populist-type tactical successes.

The problem is outlined in the first chapter of Wanniski's book.

He places the electorate on a linearized plane, and attempts to define politics and economics in terms of a falsely imagined inner, linear sort of innate wisdom in the majority of the electorate. Overall, he is divided in his outlook between an organically Whig perspective respecting the results of policies, and a Benthamite-Rousseauvian misconception of the political process through which such results are to be attained. He adapts toward those Tory influences in this nation which employ the muddled Thomas Jefferson and the traitorous Andrew Jackson as their models of reference. He bends toward Aristotle, Bacon, Hobbes and Locke, in opposition to the wisdom of Plato, the Dudleys, John Milton, Leibniz, and Benjamin Franklin.

The electorate's majority is not intrinsically good. The case of Nazi Germany ought to suffice to illustrate that point. As a former Wehrmacht officer recently emphasized in private conversation, up to the last minute of visible defeat, the majority of the German population did actively support the Nazi regime. The majority of an electorate has almost equal capability for good or evil — just as the large vote for Proposition 13 in California illustrates that fact afresh.

Admittedly, skyrocketing assessments put through under the Brown administration prior to the election did terrorize much of California's population into a panic-stricken vote for the otherwise simply-silly Proposition 13. There were, admittedly, other considerations. Specifically, any sane Californian knows that the administration of Governor Brown is not worth paying for — they threw monkey-wrenches at the State Capitol, and also expressed their estimate of the value of the Carter Administration's past and in-sight performance. However, in their panic, these voters behaved like enraged anarchists, shrieking "mine, mine, mine," with

no concern for the effect their actions had on the national economy or other vital national interests. They voted like a pack of heteronomic hedonists. *They behaved with pure evil in the voting booths.*

This is the crucial flaw in the education of Jude Wanniski to date. He does not yet understand politics, but only a kind of populist tactics he confuses for real politics.

In the main, most of the California voters who voted for Proposition 13 are capable of being good. What determines whether they will be good or evil is the essential question of real politics, as any adequately educated person since Plato ought to understand. The majority of the electorate will be virtuous to the extent that the conditions are provided to promote their virtuous impulses over their coexisting evil impulses.

The voters of California have been conditioned for evil by the process unleashed with the election of President John F. Kennedy (most emphatically). The world and the nation are being plunged toward Hell. Marijuana and other features of the hellish drug-culture destroys their children, while evil forces associated with Senator Ted Kennedy and others demand the "decriminalization" of this moral and mental murder of our nation's youth. The moral imbeciles of the "environmentalist" ferment, supported in high places — e.g., James R. Schlesinger — systematically destroy jobs and the prospects of jobs, reducing our nation to accelerated waste and ruin. For this, the population is faced with rising taxation. Naturally, they perceive the present leadership of the Democratic Party and the Republican National Committee as not worth paying for.

Who offers them an alternative? Who demands that the marijuana culture be wiped out? Who demands that the nuclear plants be built whether the "environmentalist" minority likes it or not? Which national leader does not make immoral compromises in an effort to pick up a few votes from the "environmentalists" and potheads? Who proposes measures to reemploy the unemployed in the idled work-places of industries? Who proposes without compromise to increase U.S. high-technology exports? Which accredited national spokesman is not a moral dishrag on these and related issues? Who wishes to pay for keeping moral dishrags in the executive and legislatures?

The majority of the electorate has no innate wisdom of the sort which enables it to secrete effective policies as if spontaneously. Rather, the population and its posterity have needs—heterosexual parents are acutely sensible of the needs of their posterity. It is the duty of leading circles both to provide the policies which satisfy those needs, and to make those policies clear to the electorate, both in words and in performance.

The way in which to recreate a powerful, majority constituency for high-technology recovery of the U.S. and world economy is to provide the electorate with a taste of the benefits of such policies at the same time that the policies are being explained repeatedly. The explanation and the experience offered in that way become the interdependent aspects of a process of making effective policies known to the majority of the electorate.

In any case, it is silly to speak of an abstract electorate

in general.

What is the majority of the electorate to be mobilized for policies in the national interest? It is industrialists—admittedly a small proportion of the voting electorate. It is scientists and engineers. It is the sort of American farmer who created California's Imperial Valley. It is the skilled and semiskilled working person who both needs an expanding industrial economy and whom such an economic policy makes possible. It is the unemployed and underemployed member of minorities, who has had no opening into industrial opportunities worth mentioning since the election of John F. Kennedy. It is these forces within the electorate who represent the impulse for good — on condition that they are given the policies and performance which credibly coincide with those impulses.

What the electorate expresses as its opinion at a given moment is not the basis for shaping national policy. Rather, one must shape policy according to the actual interests of the nation and its posterity, and approach the matter politically to change the opinion of the majority by changing the conditions under which the majority shapes its opinion.

Politics, like science, depends on a few gifted persons for the new discoveries, the scientifically sound problem-solving on which the continued existence of the human species and nations depends. The individual is indeed the well-spring of wisdom. The creative individual is the source of policy. The political process depends on principles derived from the thought of Plato and the Neoplatonics, the lawful creation of an electoral constituency for those policies and practices which conform to the actual needs of the population and its posterity.

If this appears to be a kind of Neoplatonic elitism, it is. The problem is not the existence of Neoplatonic elites as elites, but rather the fact that the majority of persons of society are still depressed to the two lower of the three possible conditions of the human mind. Most members of the population are ignorant of the existence of reason, and are either on the second level, mere understanding — mere logical forms of knowledge — or at the first and lowest level, of inductive thinking, of hedonistically pursuing individual gratifications as such much as a hog roots in the soil.

The essence of true politics is uplifting the people toward reason — which is why apostolic Christianity, the Sephardic tradition of Philo, and the Ismaili tradition associated with Ibn Sina have been the essential subjective well-springs of the superiority of European civilization over barbarisms and Chinese Confucianism. The elite has the task not only of satisfying the material needs of the population and its posterity through appropriate policies, but the more fundamental task of fostering the knowledge and conditions through which people are uplifted toward reason, and in which course the need for a ruling republican elite vanishes accordingly.

I believe that Jude Wanniski and his associates are qualified to master the secrets of Neoplatonism. Hence, I regard Wanniski's book as a report on work-in-progress on his continuing education.

—Lyndon H. LaRouche, Jr.

Carter Goes To Bonn

With 'Questions, Not Reactions'

Brookings demand for European export cuts pushed into background

Last week's EEC proposal for the establishment of a European Monetary Fund and the statements of West German Chancellor Schmidt and others declaring that such a fund will be aimed at stabilizing the dollar and

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expanding U.S. exports has given a profound shock to the Carter Administration and provoked a rethinking of what the U.S. position will be at the western economic summit opening in Bonn, West Germany on July 16.

As of last week, the predominant thinking within the White House was to follow the suggestions of Brookings Institution advisors to the Administration, particularly U.S. summit coordinator Henry Owen, Assistant Treasury Secretary C. Fred Bergsten and Undersecretary of State for Economic Affairs Richard Cooper. This triumvirate urged that President Carter should confront the Europeans with outrageous demands that they reflate their economies and cut their exports, a policy aimed at financially aiding only the City of London.

Carter is now going to the Bonn summit, in the words of one top State Department official, "with an open mind. . . . We have a lot of questions, not a lot of reactions." One Washington-based Democratic Party insider declared that "Bergsten and Cooper are not controlling the summit now, it's up for grabs." Compared with the European proposal offering dollar stability and trade for the U.S., the Brookings line no longer carries the same weight within the Administration.

Sources now report that there is a group within the Administration which wants to support the European Monetary Fund, including Special Trade Negotiator Robert Strauss and Secretary of State Cyrus Vance. Last week Strauss was reported to be furious over the European refusal to make more compromises to ensure a General Agreement on Trade And Tariffs (GATT) agreement, warning that if the Europeans did not want to give the U.S. a share of the markets the U.S. would do the same.

Educating the Carter Administration

The Bremen summit has now forced Strauss, and others who wanted a strong U.S. exports policy — but

viewed such a policy as dividing a fixed number of markets — to reevaluate their thinking. But while these key sections of the Administration and White House are open to the European proposals it is clear that they do not understand the overall Grand Design for the agreements that came out of the Bremen summit; nor do they fully comprehend how the United States should proceed to collaborate with the Europeans on this.

A large measure of the education of President Carter and others on these questions will take place during his upcoming two day state visit to West Germany July 14 and 15. The positive potential of Schmidt's influence on Carter is already clear. In an interview with West German television July 12, Carter stressed cooperation between the U.S. and West Germany while declining to fall into the various traps reporters laid for him on "human rights" and other controversial issues. Asked about U.S. opinion of the ongoing Moscow trials of Soviet dissidents, Carter replied that the U.S. did not have the right to interfere in USSR internal matters. The President also said that he has had a number of meetings and telephone conversations with Chancellor Schmidt, including a long discussion July 7, which were very useful.

In a flanking maneuver, the German and French press have been running major articles and ads from the

Carter Stresses Friendship with Schmidt, Nonintervention Toward Soviets

From our Wiesbaden Bureau

In a July 12 pre-Summit interview with West German television, President Carter was careful to stress his close relationship with Chancellor Schmidt, who briefed Carter on the content of the Franco-German program and reported that he won the President's approval of it. Pressed on relations with the Soviet Union, a key element of the Schmidt-Giscard Grand Design for world economic recovery, Carter stressed non-intervention in internal affairs of other countries although deploring the Soviet policy towards dissidents. More important, he said, "is that our two governments concentrate on the areas where an improvement is likely to be reached in our mutual relations. SALT, MBFR, are progressing issues, although on Africa and human rights there are controversies between the U.S. and the USSR."

Japanese advising Carter to bring the U.S. into an economic "boom" by lining up with the Europeans.

U.S. and the European Fund

On the critical question of U.S. support for the European Monetary Fund, a top State Department official said on the eve of the U.S. delegation's departure for Bonn that the U.S. now has "no apriori reason to believe that the fund is harmful to U.S. interests" and will discuss with the Europeans how it can be used to stabilize the dollar. When asked about the fund, President Carter declared in an interview with Japanese television July 12 that he "didn't anticipate there would be any obvious effort to cause the decline of the dollar nor to work an adverse trade barrier against U.S. goods. I don't expect these to occur, so the strengthening of the European community is something we endorse. Politically too."

Administration circles connected to the Trilateral Commission and the Brookings Institution had hoped to have Carter destroy the summit by confronting the Europeans with demands that they reflate their economies and slash their exports. Carter will reportedly

bring up the "stimulus" question, but will not demand any specific amount of stimulation from the Europeans as at previous summits, according to knowledgeable sources. Since the Bremen summit, U.S. opponents of the European "Grand Design" have been much more cautious in publicly airing their threats against Europe. One such official at a background briefing on the summit dropped his former demands against the Europeans and was noncommittal on all aspects of the summit.

The Brookings circle, nevertheless, is still hoping to enforce its program. Charles Schultze, chairman of the Council of Economic Advisors, told a recent OECD meeting that moderate economic growth for Europe must be coupled with a "desirable and necessary" slowdown in U.S. growth. Alice Rivlin, former Brookings staffer who now directs the Congressional budget office, told Congress July 11 that the Federal Reserve under William Miller, a major opponent of European economic development programs, should coordinate monetary policy and promoted her former associate at the Brookings Institution, Nancy Teeters, for a seat on the Federal Reserve Board.

How U.S. Officials Are Looking At Bonn

American political leaders have begun to perceive the reality of an export-led economic recovery being offered by the European Monetary Fund proposal. This perception, and the growing possibility of an appropriate, positive U.S. response at Bonn, was shaped despite an intense press campaign aimed at preventing such U.S. collaboration.

To indicate how both sides of the debate took shape in Washington, here is, first, an interview with a Commerce Department official active in preparations for the Bonn Summit, followed by several comments from other Administration officials.

Q: Is the Franco-German European Monetary Fund proposal aimed at more than monetary stabilization?

A: It clearly goes well beyond that. Its central function is to generate an export-led recovery in Europe by attracting Arab surpluses and Eurodollars and recycling them into credits for less developed countries (LDCs) and other markets.

Q: Are all the EEC countries behind the proposal?

A: Yes, all except Britain, including Italy.

Q: When the Europeans bring it up at Bonn, what will the U.S. response be?

A: Conservative. We will say that it sounds like a positive idea but we need time to study the details. We will definitely attempt to ensure that it does not become a priority. Our emphasis will be that the most pressing problems must be dealt with first and these are energy, the U.S. trade deficit, and the failure of the West Germans and the Japanese to efficiently stimulate internal demand. We will take the position that we cannot allow discussion of these problems to be substituted for

something else.

Q: But Carter is going there empty-handed, without his energy program.

A: That's true. The Congress was not forthcoming and the Europeans and the Japanese know that. That's why they are pressing us on it. If we don't have a plan to reduce the deficit, how can we tell them to stimulate internal demand? That's why everyone is downplaying Bonn. The Europeans will probably offer minor fiscal concessions, thereby making the conference look like a success.

Q: Did the Commerce Department have a central hand in determining U.S. policy going into Bonn?

A: A tertiary role in determining international economic policy.

Q: What about Owen?

A: Owen is simply heading up the coordinating group. International policy has been largely determined by Bergsten and to some extent Cooper.

Q: And they would take a negative position vis-à-vis the Franco-German proposal?

A: I think so.

Q: So the U.S. would probably reject it?

A: No one rejects anything out of hand.

Q: Then how will the U.S. handle it?

A: The policy as it presently stands is that an export-led recovery in the traditional sense would have only a temporary effect. Therefore, the Europeans will have to stimulate internal demand....

Other policy-making level officials offered their views on the outlook the U.S. will have at Bonn.

A top aide to a leading economic advisor to President Carter: "The Bremen decision sounds good. It's a political response. It's very good on their part in terms of their relations with the U.S. and it is also a good signal to OPEC....but when Bergsten gets through with Carter, this may not be the approach Carter takes at the summit."

Secretary of State Cyrus Vance: "The Administration has looked with favor on European efforts to work out monetary arrangements but we will have to wait and see what the details are when we get to Bonn."

A State Department official who is attending Bonn with Henry Owen: (Questioned as he was about to depart for Europe, this official's remarks in this eleventh-hour interview reflected a significantly different outlook than his statements a week earlier.)

"Carter has determined to go to Bonn with an open mind." He did not believe, however, that Carter would have to respond to the European Monetary Fund initiative directly at Bonn since "all the guidelines have not yet been worked out." "The U.S. is going to Bonn with a strategy to gain concerted action on growth, and there is no *a priori* reason why the U.S. should think that the European proposals would be harmful to the U.S. economy.

"Unlike the last economic conference, the United States is definitely not going to this summit with a demand that our allies make specific cutbacks in their surpluses or that they put a figure on their expansion rate.

"We also want to have cooperation on energy and scientific research and development."

U.S. Press Pushes London's Line On Bonn Summit

The British government claimed "U.S. support" last week for its attempt to wreck the Bonn Summit and derail the Franco-German proposal for a European Monetary Fund. As shown below, its "U.S. support" consisted of American press outlets open to City of London influence, which peddled Britain's call for West German and Japanese reflation and export cuts and U.S. energy conservation.

New York Times "French-German Money Plan is Debated" by Paul Lewis, July 7:

A major quarrel was brewing here tonight among Western European leaders over a French-West German plan to create a zone of monetary stability in Western Europe early next year

The quarrel threatens the success of the Western economic summit in Bonn.

British Prime Minister James Callaghan was reported strongly attacking the plan In particular Mr. Callaghan is understood to be demanding that Germany

and other rich European countries provide more direct financial assistance to Britain

Washington Post "Common Market to Consider Mini-IMF," by Hobart Rowen, July 8:

European heads of state yesterday announced agreement to study a new monetary stabilization system for Europe, but so far there is more cosmetics than substance to the scheme "There is an old German saying," an experienced hand here reminded, "that the devil is in the details." . . .

The plan is sufficiently far from a reality so that it can be a dominant factor in discussions at Bonn.

Washington Post, Bernard Nossiter, July 8:

Britain intends to block a German-French plan to stop currency gyrations. (Callaghan's) government, convinced that it has the support of the U.S., will resist the secret draft drawn up by Helmut Schmidt, and Valery Giscard d'Estaing. The draft is said to omit what London and Washington regard as a crucial element. This is a commitment that strong economies like Germany shall be compelled to take domestic action to reduce the surpluses in their foreign trade

Chicago Tribune, July 9:

(It is to be hoped) that the fact of the summit being held in Germany will put pressure on Schmidt to reflate Germany's economy.

Washington Post, "The Carter-Schmidt Connection," by Hobart Rowen, July 13:

The British argue that the entire delicate game of summitry for 1978 depends on whether Schmidt is willing to boost German growth by 1 percent of gross national product. And the price that Schmidt will exact for that is a Carter commitment to curb U.S. energy consumption.

"The Germans attach enormous importance (to a U.S. energy commitment), more than we do," says a British official. The British have tried to persuade the Germans that there is another side to the American trade-deficit picture — that created by the differential in growth rates that sucks in imports of manufactured goods from Europe and Asia The world outside Germany fears an economic bust if the Germans don't step forward and take the growth leadership

New York Times, "Through the Clouds to the Summit," Editorial, July 13:

The task facing the Western leaders assembling in Bonn this weekend has not changed much over the last 18 months, though the agenda has broadened. Essentially, the question is how to get West Germany and Japan, but especially Germany, to expand their economies and to reduce their huge trade surpluses so as to assure healthy growth to the entire industrial community. Unwilling to jeopardize the low inflation rate on which he has staked his political future, Chancellor Schmidt insists that German growth requires more exports; more exports require a stronger dollar; a stronger dollar requires a balanced American trade; and such balance requires the United States to reduce its imports of oil. Heal thyself, he kept telling us.

London Uses Shcharansky Trials To Wreck World Economic Recovery

Press backlash on dissident trials targeted against East-West trade, SALT

The Moscow trials of Anatoly Shcharansky and Alexander B. Ginzburg are being used by the City of London and its allies as a pretext for wrecking operations against the Grand Design for economic recovery to be discussed at this weekend's Bonn summit. The leading objective of the London-centered forces is to drive the United States, Japan, and Western Europe into a posture of economic warfare against the Soviet Union and the CMEA (Comecon) nations, destroying capitalist markets in the socialist sector and dismantling channels for scientific and economic cooperation vital to raising global living standards and eliminating scenarios for a U.S.-Soviet confrontation over "scarce resources" in the developing sector nations.

Statements in the House of Commons last week by British Foreign Secretary David Owen on the "defining" quality of the Shcharansky trials for East-West relations, coupled with his openly expressed lust for a tighter anti-Soviet embrace with Maoist China are a clear signal. That signal ought to alert better-informed circles in the West that the same British financial circles who simultaneously created and backed the Zionist movement and Adolph Hitler are up to their old tricks. Recent developments in the USA around the Shcharansky affair demonstrate that British pawns in Washington, epitomized by former Secretary of State Henry Kissinger and current Carter Administration National Security Advisor Zbigniew Brzezinski, are carrying on in that incompetent tradition.

For months, Kissinger has been telling any audience that will listen, from Mexico City to Stockholm, that a Soviet oil shortage and foreign exchange crisis is coming up in the 1980s, and that the U.S. should use trade and technology as weapons to shape Soviet foreign and domestic policy. The use of those weapons by the U.S. would greatly please British merchant bankers and the International Monetary Fund.

Brzezinski Manipulating Carter, Congress

Last month, the *New York Times* and *Washington Post* reported in detail on a scheme by Brzezinski, one time protégé of the Brookings Institution's Henry Owen, to use trade as a "bargaining chip" to wrest specific concessions from the Soviets. Brzezinski's chum, National Security Council staffer Samuel Huntington, had been briefing diplomats and corporate officials on the plan as if it were Administration policy-in-the-making. At a recent press conference, however, President Carter denied knowledge of it and appeared to signal his disapproval.

The Shcharansky affair prompted a full mobilization by Brzezinski and his allies on Capitol Hill. Articles appeared asserting that "White House officials" were urging cancellation of previously negotiated sales to the

Soviets of oil drilling equipment from Dresser Industries and computer hardware from Sperry Rand. In neither case was it contended that the equipment had direct military applications, nor that it represented unique technology which the Soviets could not obtain elsewhere; the cancellation was to be understood by the USSR as a punitive act expressing U.S. displeasure over the Moscow trials.

On July 11, practically simultaneous with the appearance of the articles, Sens. Henry Jackson and Daniel Moynihan, well-known respectively as spokesmen for the Maoist China and Israel lobbies in Washington, loudly demanded at a joint press conference with Mrs. Alexander Solzhenitsyn, that the trade deals be halted.

Capitol Hill sources revealed that Brzezinski's NSC staff had been calling up Congressmen and Senators to get them to "demand" that Carter take such action or risk the political consequences of "perceived weakness." Said one unnamed Senator to the *Washington Post*, "It's beginning to be a scandal the way the National Security Council people call you up and say 'denounce the president,' or 'denounce the Secretary of State' for this or that."

Jackson, of course, hardly needed such encouragement; his notorious hostility to SALT and his authorship of the 1974 Jackson-Vanik amendment barring U.S. trade credits to the USSR until Soviet emigration practices receive a Presidential seal of approval have obviously had a long-term impact on Soviet thinking about the benefits available from "detente" while Jackson occupies a powerful Senate post.

A half-dozen other Senators chimed in with additional proposals for dismantling U.S.-Soviet collaboration across the board. Sen. Donald Riegle (D-Mich.) loudly suggested that he would oppose any SALT agreement with the USSR on the grounds that he could not countenance "a treaty I could support with a nation that terrorizes its own people." Riegle is heavily supported by the United Auto Workers, whose past president, Leonard Woodcock, is now the U.S. representative to Maoist China, hardly a byword among nations for political freedom.

Republican Sen. Howard Baker, always attentive to the ravings of Henry Kissinger, urged that Carter tell the Soviets "we ain't going to be pushed around And just so you know that it's all linked together we're going to suspend the SALT talks and any other talks we can lay our hands on" Sen. Bob Dole called for suspension of SALT and U.S. grain sales to the USSR, both tactics tried by Kissinger with no notable effect on Soviet foreign and internal policy. Sen. Robert Packwood, a favorite on the B'nai Brith circuit, went the Kissinger line one better by calling on Carter to declare the Helsinki security,

economic cooperation, and so-called human rights in Europe agreements "null and void." Such an action would be tantamount to declaring war on the USA's Western European allies, none of whom, with the exception of Britain, appear eager to reimpose the "Iron Curtain" conception on Europe.

U.S. Yielding to London's Geopolitics

The demands for trade war and suspension of SALT built to a crescendo after the Administration had already yielded substantial ground to a heavy blackmail campaign by London's geopolitical wizards. An initial State Department statement on the Shcharansky case July 7, reportedly cleared by the President, noted cautiously that the U.S. would observe the trials "with great concern" as "an important indicator . . . with regard to promoting a healthy atmosphere for the constructive development of U.S.-Soviet relations." The statement said that the U.S. would withhold further comment until the trials were concluded. At the same time, an Environmental Protection Agency mission to the USSR was cancelled as a signal of displeasure.

Within 24 hours, however, Secretary of State Cyrus Vance appeared in the press room to read a much tougher statement, saying the trials would "inevitably" worsen relations. Press reports asserted that Vance had come under heavy pressure from U.S. Ambassador to Moscow Malcolm Toon and Brzezinski to cancel his scheduled Geneva meeting with Soviet Foreign Minister

Gromyko on SALT. Vance also announced that a high-level scientific mission to the USSR led by presidential science advisor Frank Press had been cancelled. When the announcement was made, Press was in Peking with a similar U.S. delegation, avowing U.S. readiness to cooperate with the Chinese without reference to their "human rights" or emigration policies.

Later, it was announced that Vance would meet with Shcharansky's wife in Geneva as a "symbol of U.S. concern."

Meanwhile, it was reported that the U.S. was "reviewing" all scientific, cultural, and economic cooperation agreements with the USSR, and that outright cancellation of the agreements, in part or in their entirety, was being considered. Cancellation of the scientific agreement would relieve Brzezinski and Energy Secretary James Schlesinger of the embarrassment of their continuing coverup and sabotage of official proposals by the Soviet government for joint U.S.-Soviet fusion cooperation. The proposed project is designed to build a "breakeven" thermonuclear fusion experiment in a third country, a plan with the excellent promise, according to U.S. scientists, of dramatically demonstrating fusion to be the answer to world energy needs and a practical large-scale energy source for the world by the 1990s.

President Carter himself, while condemning the trials as a violation of the Helsinki accords, stressed in an

Did Shcharansky 'Fallout' Stop 1978 SALT Pact?

It may be coincidental that only one day after the trials of Shcharansky and Ginzburg were announced in Moscow, Washington heard reports that Secretary of State Vance would "inform" his Soviet counterpart Gromyko that the U.S. would insist on language in the SALT II treaty permitting the U.S. to "preserve the option" of deploying a land-based mobile missile in the early 1980s, apparently making preparations instrumental for deployment before the expiration of a protocol in the treaty banning new mobile missile testing for three years.

U.S. arms control experts have consistently regarded the mobile missile as a potentially very serious "destabilizing factor" in the U.S.-Soviet strategic weapons relationship. In their view it would force a higher level of military expenditures, raising complicated questions of verification (since the point of the mobile missile is to avoid detection and destruction prior to launching by enemy forces) and force the Soviets to deploy a similar system in an effort to maintain strategic parity.

Technically, it was said, Vance would reserve the U.S. right to pave the way for the mobile missile by excavating a series of holes in the ground; existing U.S. Minuteman missiles could purportedly be moved from one hole to another to avoid detection. No new mobile missile like the Ford Administration's MX

missile would thus actually be tested, it will be argued.

Press accounts of the decision emphasized that it was being made to counter the "clout" of SALT critics including Scoop Jackson and Paul Nitze of the Committee on the Present Danger, who have argued that the Soviets could by the early 1980s wipe out the U.S. land-based missile force in a first strike and then "blackmail" the U.S. out of retaliation.

Since thermonuclear war between the U.S. and USSR will begin, if it occurs, with an all out land-sea-air nuclear attack from both sides, and then "deescalate" toward conventional war with whatever second strike capabilities remain — rather than escalate from a "limited" nuclear war upwards — and since there is no question that the U.S. possesses a deterrent capacity sufficient to quell any Soviet fantasies of a "cheap victory," the Nitze "hardware-matching" exercise is nothing more than a demonstration of strategic military incompetence in leading U.S. circles.

The Carter Administration, however, is hoping to "buy off" the Nitze-Jackson opposition to SALT II by insisting on the right to dig itself a few hundred deeper holes. The Soviets are expected to object vigorously to the new proposal, further diminishing chances for a SALT agreement this year.

interview with West German newsmen that the U.S. had no right to interfere in the USSR's internal affairs and said the U.S. should look for ways to broaden, not to narrow, areas of U.S.-Soviet cooperation. He also denied any intention to follow the Brzezinski line of "using the China lever against the USSR," adding: "That would not be in our interest, and not in the interest of the Chinese or the Soviet peoples."

Some of Washington's more experienced and better informed observers, however, feel that the cumulative impact of the Carter Administration handling of both the Soviets and the Senate, during its 18 months in office, was coming to a head around the Shcharansky affair — in ways which might override the President's recently asserted desire to emphasize the "underlying stability" of the U.S.-Soviet relationship.

The NAACP Champions Development, Exports, And Nuclear Power

What the press didn't tell you about the NAACP convention

Exclusive to the Executive Intelligence Review

It went virtually unnoticed in the nation's press, but the 69th annual convention of the National Association for the Advancement of Colored People (NAACP), held in Portland July 3-7, took a number of steps to establish the NAACP as an international spokesman for rapid nuclear

founded the NAACP in 1909 and played a revolutionary role in "transforming the fabric of America." To rebut the press slanders against her and the NAACP of the last six months — begun by the *New York Times* in a racist editorial in January, "Does Civil Rights Include Energy?" — Wilson departed from her prepared speech to underline: "Leadership does not have to be popular. It has to be correct."

Wilson also delivered an indictment of National Security adviser Zbigniew Brzezinski's attempts to get a "superpower" confrontation going in Africa.

Wilson used her speech to shape the dominant anti-zero-growth theme of the convention, reaffirming in the strongest terms the organization's Energy Policy as the only alternative to zero-growth or slow-growth policies that "will never be in the best interests of black Americans."

Practically, the three most important developments of the convention, for which Wilson's policy speech set the framework, were the proceedings of the Energy Panel, including the decision to create a standing Energy Office in Washington, D.C.; the formation of an Economic Advisory Committee to be headed by former Federal Reserve Governor Dr. Andrew Brimmer; and the elaboration of the NAACP's Africa policy by members of the just-created Africa task force.

Energy Panel: No to Zero Growth

The Energy Panel was chaired by NAACP Energy Committee member James Stewart of Oklahoma City. Panelists included Keith Bodden of Allied Chemical in New Jersey, who will head up the NAACP permanent Energy Office, Rufus McKinney, a Vice President of Southern California Gas Company, Kenneth Guscott, a Federal Reserve board member in Boston and president of Kenneth Guscott Associates, and Clarke Watson, the head of the Denver-based American Association of Blacks in Energy and a longtime NAACP energy advisor.

McKinney began his remarks:

I think this energy policy is the most significant thing done by the NAACP The release of our policy has generated a huge national debate among members and others We have received invitations to speak from

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energy development and expanded American industrial production and exports.

Despite the fact that the *New York Times*, from which other press took their cue, covered only the convention's supposedly adverse reaction to the Supreme Court Bakke decision, and the NAACP's disappointing *formal* policy of economic sanctions against South Africa, that was not the news from Portland.

In a press conference on the convention's opening day, Executive Board Chairman Margaret Bush Wilson undercut media efforts to imply a split in the NAACP leadership over Bakke and other issues: "We will not get involved in pitting black against white. The Bakke decision reaffirmed affirmative action; Proposition 13 (the recent California "tax revolt" referendum — ed.) was not primarily racially motivated; people are fed up with tax increases."

Under the leadership of Wilson — who personally led the organizing drive which culminated in the NAACP's adoption last December of a pronuclear, progrowth official Energy Policy — the convention's 4,000 delegates, who represented 420,000 members, affirmed the NAACP's commitment to mobilize more broadly for that energy policy; formed an Economic Advisory Committee to put forward economic growth policies; and announced a decisive break with the zero-growth outlook of "our former allies, the liberals."

Wilson's keynote address to the convention (excerpts of which are reprinted here) called on NAACP members to trace their roots to 19th century black leader Frederick Douglass, who organized for the industrialization policies of the Lincoln Republicans, and to the "small group of intellectuals led by Dr. W.E.B. DuBois" who

Indonesia, Japan, and many of the countries in Europe
. . . The *New York Times* ran an editorial suggesting that the NAACP has no business having a view of this issue (energy — ed.) . . .

McKinney then explained that the NAACP intervened in the energy issue because the Carter Administration's "limits to growth" orientation would lead to rationing and discrimination against America's poor. "No-growth energy and economic policy poses a danger to blacks who have just begun to advance their economic situation."

Guscott elaborated the same theme:

We are very familiar with the proposals of zero growth coming out of the Carter Administration and we are not going to accept zero growth for this country. You know that the Carter Administration is vacillating. Last week there was a demonstration of the Clamshell Alliance (antinuclear Naderites in New England — ed.) and now the Seabrook reactor is shut down (by a recent Nuclear Regulatory Commission ruling—ed.) It was a political, not a technical, decision. This is politics, and politics is what the NAACP knows very well.

The Alliance with Liberals Over

Clarke Watson began his speech with a blast against Malthusian liberalism:

It's July 4th and America's romance with the liberals is over. The NAACP's alliance with liberals is over. We're in an economic slowdown; its first hit was the energy slowdown in 1973. This threatens among other things a white backlash and an economic crisis. We're running faster to stay in the same place — and I don't think being in the same place is good enough for blacks. The NRC (Nuclear Regulatory Commission) bent to the elitist environmentalists and cancelled the Seabrook reactor. This is now going to cost the consumers a half a million dollars a day, and 1,800 workers were laid off — many of them minorities. If we tolerate further delays in the development of oil and nuclear energy they will be made up by further oil imports and price increases.

There is concern that our policies depend on liberals who supported us in the past . . . The environmentalists, liberals, intellectuals, and socialists were with us in the past. But then they turned around on domestic energy. Meanwhile, our people are still crying for jobs.

To ensure these progrowth policies are adopted, the panel announced formation of the Washington, D.C. Energy Office, whose role will be to exert pressure on a reluctant Administration and Congressional Black Caucus.

Equally important, the panel announced a policy of encouraging NAACP local leaders to organize for state energy conferences which NAACP national leaders would address. This is the first time the national organization has sought to involve the NAACP base directly in mobilizing behind the official policy.

Economic Advisory Committee: For Expansion

The formation of an Economic Advisory Committee, announced by Wilson and NAACP Executive Director Dr. Benjamin Hooks, is an initiative coming out of the convention which has enormous implications for the NAACP's emerging role as a national spokesman and — as Rufus McKinney pointed out — an international spokesman for energy expansion and economic growth.

The committee Dr. Brimmer will head up includes as other members Nixon economic adviser Dr. Paul McCracken; Dr. Phyllis Wallace of MIT; Dr. Robert S. Brown of the Black Economic Research Committee in New York City; Dr. Huntington J. Bryce, Academy of Contemporary Problems in Washington, D.C.; and Dr. Bernard E. Anderson of Philadelphia's Wharton School.

In a joint press conference with Director Hooks July 6, Dr. Brimmer made clear the committee is conceived as an organizing vehicle for overall industrial growth:

In my view, the next horizon for the NAACP is an economic development horizon It is my view that the Carter Administration should avoid further contraction and avoid further inflation A vigorous policy of growth is the best way We have to expand energy growth to expand employment.

Dr. Brimmer then told the press: "I do not favor boycotts (against South Africa — ed.) — they are a posture for the benefit of audiences in the U.S." He characterized the only impact of boycotts and U.S. economic withdrawal from South Africa as mass unemployment and misery for black workers there.

Black Newspaper Assails IMF Role in Africa

Excerpted below is an Op Ed column titled "Zaire Government Part II," which appeared in the July 11 issue of the Baltimore-based Afro-American newspaper chain, one of the largest circulation black newspapers in the United States. The column was written by William Worthy.

Out of the June 13 Brussels meeting of Western powers came these audacious recolonization measures worthy of the 19th century:

A representative of the IMF becomes the principal director of the Central Bank of Zaire. He will direct and exercise veto power over all government spending at the bank.

Still another IMF representative will be placed at the Treasury...

In return for these nifty power arrangements Western governments are lending \$1 billion to the badly deteriorated government of President Mobutu.

Who will determine how the bailout loan gets allocated and spent? The IMF...

...Today the currency of bankrupt Zaire with a 75 percent rate of inflation is worthless on the international money exchanges. In real political terms, the IMF 'descends like a vulture' on a Chile, an Indonesia, a Zaire, once the CIA, Pentagon and NATO have established effective Western control over a supposedly independent nation.

By cutting down on already limited expenditures for social welfare and public expenses, and by enforcing harsh 'austerity' measures, the IMF sweats out of the 'natives' the money and natural resources needed to pay off usurious loans from banks in New York, London, Paris, Brussels, Tokyo and elsewhere...

Africa Report: A Mixed Bag

As Dr. Brimmer's remarks indicated, the official NAACP policy of organizing boycotts against the Republic of South Africa is very much open to change in emphasis if not, for the moment, official change.

The NAACP *Task Force on Africa Report and Recommendations* was issued June 1, and presented to the United Nations Special Committee against Apartheid by Dr. Hooks at that time. The report itself, based on a visit by a delegation of NAACP members to Africa in March 1977, launched a new permanent Africa Task Force within the NAACP, to be headed by Dr. Broadus Butler of the Roger Morton Institute, who led the delegation to Africa.

The report, although it repeatedly emphasized African economic development as in the best interest of the United States, and stressed that approach as the only sound alternative to Brzezinski-style "confrontationism" over Africa, was disappointing in its failure to distinguish between Henry Kissinger's infamous "shuttle diplomacy" — which the report praised as efforts to bring about a "peaceful solution" to problems in Africa — and the best efforts of UN Ambassador Andrew Young and Secretary of State Cyrus Vance, based on a development orientation, to solve manipulated racial conflicts in southern Africa. The report and Task Force itself grew out of NAACP discussion with Vance.

By failing to distinguish between the outlaw and brutally racist Ian Smith regime in Rhodesia, and the Republic of South Africa, whose leadership includes some prodevelopment figures, the report also uncritically calls for boycotts against South Africa which in fact would serve only to perpetuate apartheid by forcing the 75,000 black workers employed there by American corporations back into poverty and oppression.

However, during the course of the convention, it became increasingly clear that that official posture need not determine the practical policies of the Task Force. In the Africa Panel itself Dr. Butler stressed the absolute necessity of U.S. involvement in African economic development, as did Wilson's keynote, and privately commented that "political sanctions don't mean a thing — development is the only key for changing Africa."

The leadership of the Africa Task Force has made it clear that the role they foresee for the task force is one of policy input into Vance's State Department in order to emphasize economic development. The task force is also intended to be an operation link to the southern African front-line states.

A similar approach has been put forward recently by Vernon Jordan of the National Urban League, who has reiterated that a U.S. boycott of South Africa, while it might assuage "white guilt," would mean emiseration of black South Africans.

—Molly Kronberg

Wilson: 'Jobs Come From Economic Growth'

Presented here are excerpts of the keynote address delivered to the 69th annual NAACP convention in Portland, Oregon, by Mrs. Margaret Bush Wilson, NAACP National Board of Directors chairman:

... Earlier this year on the campus of a great university not too many miles from here, I participated in a symposium on "Prospects for Reform in America."

Your chairman of the board stood alone among the speakers in contending that the American system can provide a satisfactory way of life for all our people including Black Americans.

If America cannot do it, where else can we go to find these opportunities?

The other participants were stubbornly pessimistic, they argued:

• "American capitalism cannot survive without exploiting the labor of poor people either in this country or elsewhere in the world.

• "American society as now constituted can never be a just and peaceful society.

• "American capitalism will never concede more than the minimum reforms needed to insure its temporary survival, and they pointed to the painful fact that black family income in America had remained consistently at about three fifths of white income for as long as statistics have been collected.

• "That the black middle class has, and will continue to

profit from civil rights reforms while the black masses will see little change in their lives."

But most devastating of all, they argued that the NAACP can never produce more than modest improvements in the lives of black people because the NAACP has only the power to appeal to power, and it is totally dependent upon the powers that it hopes to reform.

Their alternate argument, or course, was that a just society can never be based on economic competition between individuals or classes or nations.

That is defeatism and we could never have come this far if our parents and grandparents had taken that attitude.

What Americans must never forget is that it is the black middle class who provided the leadership that brought about the most revolutionary peaceful changes in the social fabric of this nation.

Basically our roots in the NAACP can be traced back to Frederick Douglas and other nineteenth century black leaders who believed that change must come, but they retained a faith that those in power must first be convinced of the rightness of change.

No better example of this leadership can be found than that which was provided by a small group of intellectuals, led by Dr. William E. B. Du Bois, who met in Niagara Falls in 1905 to develop a strategy for racial and social change in this country. From this core of leadership the NAACP was born.

And we are proud to declare today that it was the

NAACP which provided the leadership at critical junctures in our society, that resulted in the most profound social changes — changes that are benefitting those who criticize us the loudest.

We should be aware that there are risks in leadership, and leaders are not always popular. So to be wide and bold, you must continue to develop sound and imaginable strategies for meeting not only the challenges we face today, but also those that lie ahead in the next century.

We should note, therefore, that one of the greatest challenges we face today is the widespread attempts to destroy our faith in the ability of this nation to develop the programs and means to permit all of us to enter the mainstream of society. The road over which we must now travel is not as direct as in the past when we fought the battles against Jim Crow and other forms of blatant racism. Instead, it is complex and interwoven with many currents that cannot be directly linked to racial discrimination. . . .

. . . By now we would hope that every branch leader and every delegate at this convention has had an opportunity to read and understand the real import of the NAACP energy statement which the national board of directors adopted in January of 1978. In the face of widespread and outright, deliberate misrepresentation, the NAACP National Board of Directors reaffirmed this statement at its April meeting in Atlanta by a vote of 29 to 6.

The thrust of this statement is that unless America is assured of ample and reasonably priced energy supplies in the future, the economy will not expand at the rate required to provide a job for every person willing and able to work. A no-growth economic policy is not and never will be in the best interest of black Americans. A slow-growth economic policy will hardly be better. It will only continue to foredoom black Americans to the wastelands of idleness and poverty.

For these reasons, the energy statement calls for a realistic energy pricing policy that will ensure the development of adequate energy supplies. The energy statement does not take a stand on regulation or deregulation of natural gas. It never was the intention of the Board of Directors to address this issue

. . . Thus, the principal challenge for black leaders today is to alert our people to these new dimensions. New jobs come from economic growth in the private sector. Nine out of ten new jobs in this country were provided by private industry last year. Government alone cannot be viewed as providing jobs. It is in our interests to ensure that the president and congress pursue an economic policy that does not deliberately curtail growth. . . .

. . . U.S. industry is still the world's most efficient. But it has fallen behind in productivity growth. Among the nine major industrialized countries, Japan leads with a rate of 6.8 per cent. The U.S. is at the very bottom with a rate of 2.3 per cent, well behind Denmark, West

Germany, Italy, France, Sweden and Canada.

This is a very ominous sign. Because the question of productivity, like energy prices, stands at the very heart of the nation's inflation crisis. America is laboring under old machinery, old techniques — and old prejudices. . . .

. . . A year ago, Secretary of State Cyrus Vance appeared before this convention to address the burning issue of racial strife in southern Africa. The NAACP task force on Africa had visited several countries on the continent and had submitted its recommendations to the board of directors for study and review.

We were encouraged that Mr. Vance had chosen the NAACP for this major presentation, because the gesture demonstrated a willingness within the Carter Administration to seek the support of the nation's oldest, largest and most influential civil rights organization as it proceeded to develop its African policy. As of less than two weeks ago, Secretary Vance, who seems to be on the positive side of the issue, again forged ahead. Within the next several months leading up to the 1980 Presidential election, rest assured that Africa will become an even bigger foreign policy issue than it has been since last fall. . . .

. . . For those of you who are not convinced of black America's need for Africa, let me present you a few pertinent realities.

Black Americans, like Africans, are a developing people, who are exposed to the common problems of racism and economic exploitation.

One out of every eight manufacturing jobs in the U.S. goes to producing goods for export. Each year, more of these goods are exported to the developing countries of Africa and the Caribbean. U.S. exports to these areas have tripled over the last five years. Furthermore, one-third of U.S. farm products is now exported, and much of it too is going to Africa and the other developing countries.

These realities alone, provide enough reasons for black Americans to increase their involvement and concern for the destiny of Africa.

So, as the tug-of-war continues within the White House, the State Department and the Congress, let us declare today that Africa must not be made the pawn in East-West ideological conflicts.

Africa must not become the battle ground for either French troops, American troops, Soviet troops, Cuban troops or even African troops working at the will of some neocolonial power in Paris or Brussels.

The NAACP deplores most strongly recent suggestions from within the Carter Administration that the CIA should be set loose in Africa once more to destroy people and governments. The pretext has been the presence of Soviet and Cuban military personnel in some countries. But, what about the thousands of French troops throughout Africa? . . .

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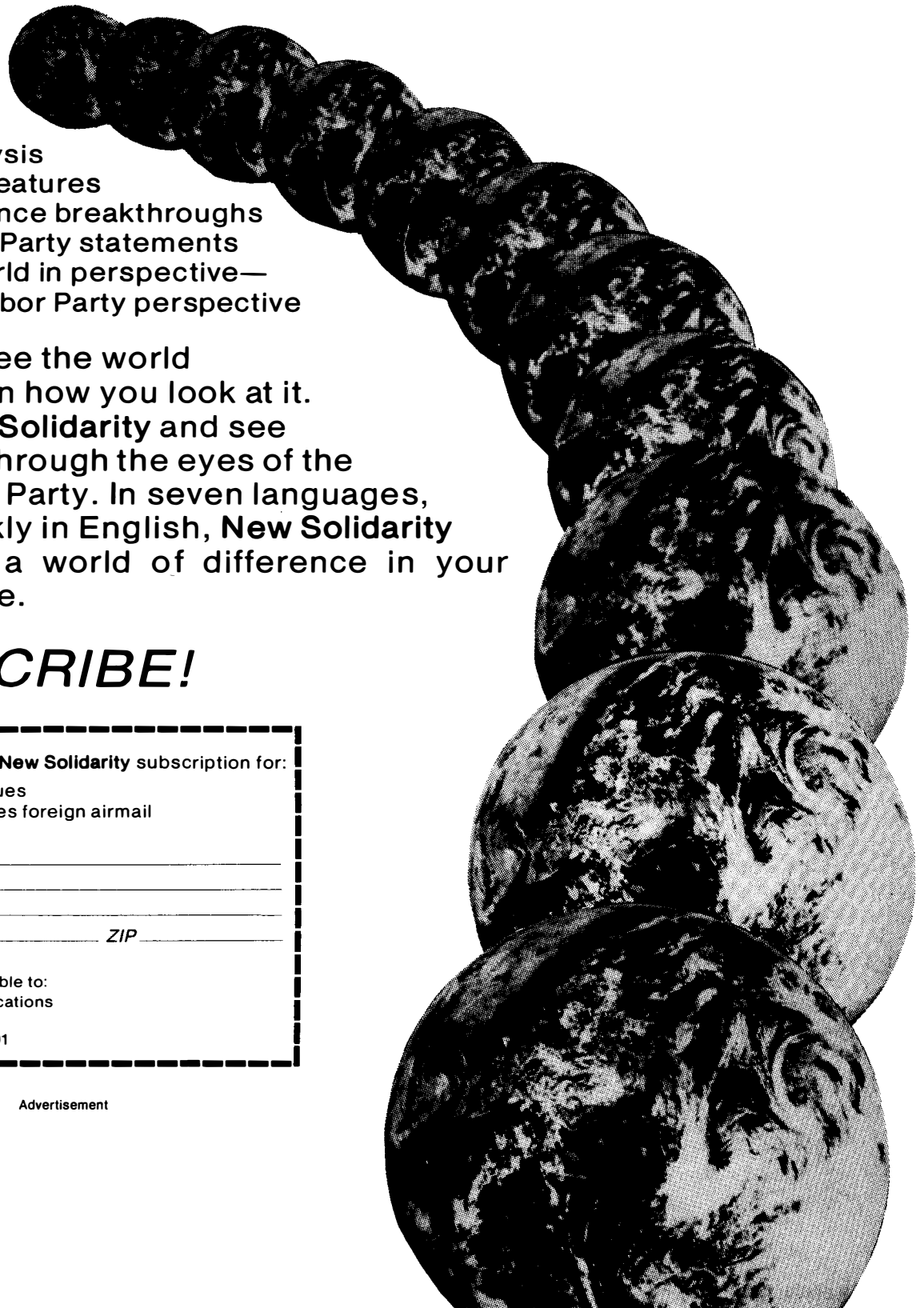
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A Golden Weapon Against London?

In the wake of Bremen, moves to remonetize the yellow metal

With the introduction of the Schmidt-Giscard European Monetary System at last week's Bremen European Community meeting, it is now an open secret among informed financial circles that the world is moving rapidly toward a gold-backed monetary system

GOLD

that will once and for all sink the City of London and its worthless pound sterling into oblivion. Although the price of gold increased only marginally as of July 12, the Bremen package prominently includes the metal in the \$50 billion European Monetary Fund — thus effectively remonetizing gold as the key international monetary reserve.

The French press has gleefully trumpeted the impending gold remonetization and concomitant demise of London's International Monetary Fund, even though the Bremen communiqué does not specifically cite the role of gold. A prominent front-page article in the July 10 issue of *L'Aurore* minces no words: "One of the most pernicious factors of world inflation was certainly introduced with the shattering abandonment of the gold standard . . . (while) the International Monetary Fund which liquidates its gold and spreads paper . . . is flailing its arms in the wind with authority . . ."

According to European gold traders, central banks have been "shaping" the gold market for several months, and are now "important net buyers." This dovetails with recent statements by the Chairman of the South African Chamber of Mines, who pointed out that with the change in IMF statutes now permitting central banks to trade in gold at free market prices, these institutions will be playing an increasing role in stabilizing and running the gold markets. Insiders report that indeed French, West German, and other central banks have been quietly stocking up on gold, with full cooperation from the main producers, the Soviet Union and South Africa.

Many gold-oriented newsletters are now predicting that the gold price could rise from its current level of about \$185 per ounce to \$240 by year's end. One top European banking official reports that the Bremen decision "has thoroughly remonetized gold," while a colleague confirmed bankers' expectation of three major developments: that gold will move to the \$240 level; that the dollar will increase 50 percent in value, to about three deutschmarks to the dollar; and that the pound sterling will be allowed to collapse to a level commensurate with the decrepit British economy.

The \$240 price level is the minimum necessary to bring on line new sources of gold to ensure sufficient reserves for central banks and the European Monetary Fund. Contrary to mythologies pervading U.S. financial circles, the steep price hike would not threaten the dollar. Given the establishment of the European Monetary system and vastly expanded trade and economic development, the remonetization and augmented supply of gold would provide the monetary underpinning for currency stability. What *would* fall is the pound, which, unlike the dollar, is backed solely by Britain's 19th-century industrial capacity and an even more obsolete monarchy.

British Scramble for Gold

Faced with a virtual *fait accompli* at Bremen and Bonn, the British and their financial appendages are desperately trying to cover themselves by getting in on the gold action. No less than N.M. Rothschild believes that gold will be moving to \$240. Some of the British press is even signaling the gold boom. According to the July 10 London *Daily Telegraph*, the Swiss banking gnomes have recently bought an unusually large amount of gold from South Africa — five million ounces worth, nearly \$1 billion. With their customary disdain toward the bewildered U.S. government, the *Telegraph* writes: "Few outside the American Treasury seriously believe that gold no longer plays a role in the international monetary system."

L'Aurore on Rehabilitating Gold

The following are excerpts of an editorial which appeared in the July 9 edition of the French daily L'Aurore:

At Bremen, the French and the Germans were on top, with their already elaborated project which aims at the immediate creation of a "zone of stability" of currencies in the Community, so that the industrialists and traders of the Nine countries have at their disposal viable means of payment. For nothing is worse than the ignorance which a vendor, who consents to giving credit, suffers from if nothing guarantees him the value of the currency with which he will be repayed.

One of the most pernicious factors of world inflation was certainly introduced with the shattering abandonment of the gold standard . . .

In the Bretton Woods system, which is defunct today because the Americans who were its inventors and

guarantors destroyed it, an ounce of gold was worth \$35 The dollar which "was worth gold," eclipsed sterling as a universal instrument of reference, reserves and payments.

But the United States did not prudently manage its currency, and the day came when the uncontrollable mass of paper-dollars went off the deep end. A first devaluation to \$42 an ounce did not help. On Aug. 15, 1971 Nixon frankly announced to all the peoples of the world that the dollar-gold convertibility had ceased to exist.

From this moment on, the world entered on an era of financial vagabondage (and speculation) which gave birth to the economic crisis in which we are enmired So far, everything has failed to remedy this. The International Monetary Fund, which liquidates its gold and spreads paper (the "SDRs", so-called international currency of account, which even the oil-producing countries refuse as a settlement for their bills — that says a lot!) is flailing its arms in the wind with authority

The excellent idea which has guided Giscard and Schmidt is to endow the Europe of the Nine with its own reference currency

The French and Germans have proposed the creation of a European Monetary Fund fed by a contribution of 20 percent of the exchange reserves of the Nine. The deep-rooted habit of counting in American currency brings between \$15 and \$25 billion to this piggy-bank, which will come to the aid of the lame ducks and discourage speculation, especially to the extent that gold is rehabilitated as a reserve instrument!

— Steven Parsons

"The Boot Is On The Other Foot"

From "Mining and Metals," a regular column in the London Daily Telegraph, July 10, 1978:

Consolidated Gold Fields ended last week considerably happier than it began. Arguably . . . the share price relative to the British equity market can from now on do nothing but improve.

Of greater importance, however, is the outlook for gold. Few outside the American Treasury seriously believe that gold no longer plays a role in the international monetary system. Rather the boot is on the other foot with the less-developed nations increasingly taking up their International Monetary Fund gold profits in metal rather than paper currency.

One straw in the wind, a particularly significant one in that it blows in from that home of hot money, Switzerland, is the possibility that South Africa will sell five million ounces of gold to the Swiss banks (which was originally) swapped with the three gold pool banks at \$110 an ounce and repurchased for three month delivery at about \$112.

This three months' delivery has been rolled over since that date. Now, it appears, South Africa is entitled to sell the metal at something approaching the free market price of almost \$185 When this transaction will be completed is not yet known. But . . . the political climate for South African loans had improved substantially in Europe with maturities for debts having been extended from two years to about seven years.

LaRouche Explains Why Gold Must Go To \$240

And why Europe agrees with him that it must

U.S. Labor Party Chairman Lyndon H. LaRouche, Jr., the first announced candidate in the 1980 presidential elections, told the Executive Intelligence Review in an interview last week that "The same European forces who built the Bremen Summit last week are in agreement with me on the means to stabilize the world currency system fast." Following are portions of that interview:

Q: What is called for to solve the international financial crisis?

A: We are agreed that the price of gold must be rapidly brought to the range of \$230 to \$240 an ounce, and stabilized in that range through central bank operations in the open market, and that the U.S. dollar must be brought up to a valuation of 3 West German marks. The dollar rate must be brought up to the DM 3.00 rate in anticipation of the biggest export boom the U.S. has ever had. We and our allies in Europe and Japan insist that the \$230-\$240 gold price must be achieved as soon as possible, as the basis for stabilization of all currency parities on a fixed-rate basis. No crawling peg or other half-measures will work, nor will they be tolerated.

The pound sterling rate is now a matter for Britain's own political choice. Should Britain choose to adopt a pro-industrial policy and join the Bremen accords, the pound will be stabilized. If Britain balks, the pound will collapse to undetermined levels.

I want to emphasize to the American government and business community that the European forces and their Japanese allies who are responsible for the success at Bremen are as committed as I am to the immediate introduction of a gold-based monetary system.

Q: What role does the new European Monetary Fund play in this?

A: The rapid stabilization of currencies into fixed-parity arrangements will make possible the transformation of worthless liquidity into the Eurodollar market into long-term, low-interest development credits to the OECD countries' trading partners in the South and East. This will be accomplished through the issuance of gold-denomination, long-term bonds at approximately 2 percent interest rates to present holders of Eurodollar deposits, through such institutions as the European Monetary Fund.

Q: What effect will the new financial proposals by European countries at the Bremen meet have on the U.S. economy?

A: For the United States, the first effect of currency stabilization around the \$230-\$240 gold price will be the prospect of the biggest export boom the United States has ever had. To obtain the benefits of this arrangement, the United States must immediately lift all licensing and related restrictions on high-technology exports, particularly those applying to nuclear power-related exports and high-technology goods with Comecon-area destinations, as well as the so-called "boycott" restrictions on trade with the Mideast.

In addition, the Administration must suspend or eliminate those antitrust provisions which prevent American multinational companies from acting like Japanese trading companies.

What we have before us is the capacity to generate

additional exports in the range of \$100 billion annually. That means we can knock the rate of unemployment down fast, by bringing American industry back to full capacity utilization, and kicking off an investment boom benefiting the capital goods industry.

One of the foremost national priorities in the context of our preparations for the export boom is the immediate settlement of the New York City financial crisis. New York must become once again a great exporting center, with a Metropolitan area buildup of manufacturing industries spun off from port and related activity. New York City's tax base has been eroded through the depletion of manufacturing industries and its replacement by so-called services, which in fact add to economic overhead. New York City's debt must be converted into federally backed, high-grade, long-term, low-interest bonds, and additional credit must be provided through public and private sector channels to gear up for major trade expansion.

Why Some U.S. Corporations Are Afraid Of A Strong Dollar—For Now

A responsible official of one of the leading U.S. commercial banks recently discussed European predictions that the dollar will appreciate to three deutschmarks, and gold to above \$240 an ounce.

Q: What effect would you expect from a dollar rise?

A: If the dollar rises to three deutschmarks, then the U.S. trade surplus will worsen.

Q: Would that still be the case if there were an exports program for the U.S. based on developing the Third World?

A: Actually, the Japanese would be willing to redress their trade payments surplus, if they could work out an equitable solution to their oil imports deficit.

Q: Does that mean they could arrange a "trade-off" with Carter: we'll improve our non-oil payments surplus, if you get going on a sensible energy program?

A: Yes, I think the Japanese are thinking in those terms. But still, a three-deutschmark dollar would hurt a lot of people in the U.S.

Q: Why?

A: Because all the companies are holding short positions against the dollar. I know of only one major U.S. corporate customer of ours who is purchasing dollars, but it is a company usually considered out of step with the market by all the others.

Q: What would happen if you told your customers that good news for the dollar was expected out of Bonn?

A: They are already saying that. But in the same breath, our customers pull out their economists' reports, and list off how the U.S. economy is in danger. All the statistics show that the U.S. is headed for a recession, that with substantial growth rates compared to other nations so far, there is no more room for growth. You can't have a stronger dollar, without a pickup in the U.S. economy. I suppose these companies don't have the best economists, but that's the problem right now.

Q: In other words, a lot of U.S. companies would be hurt if the dollar rose, even if that's in the U.S. national interest?

A: Yes, I'm afraid so. They'll have to unwind their positions first, before the dollar can rise.

Where Not to Get Advice: The Morgan Bank Old-Age Home

The *Journal of Commerce* announced July 11 that the International Council of Morgan Guaranty, one of the nation's largest banks, had made two new appointments to its board. The announcement raised the question: has that bank become a retirement home for the faithful retainers of the Black Guelph nobility?

The two new appointees, boasting long pedigrees of service to the City of London but now put out to pasture are: *Johannes Witteveen*, the former chairman of the International Monetary Fund (IMF) (and also a member of the whirling-dervish Sufi Muslim sect), and *Lord Cromer*, a permanent Baring Brothers bank fixture, who becomes chairman of Morgan's International Council, replacing Lord O'Brien of Lothbury.

A number of corporations interviewed last week about the results of the Bremen Summit and the prospects for Bonn responded with variations of: "I know nothing about what happened there. My bank advisory service has left me in the dark."

For those corporate executives that do business with Morgan bank or its affiliates, the reason should be no mystery. The level of its advice deteriorates in direct proportion to the number of British monarchists it has on its board.

The Fed's Miller Under Fire

A storm of private and public criticism of Federal Reserve Chairman G. William Miller has reached sufficient intensity that even if Miller remains in office, it is probable that his economy-wrecking policy of high interest rates is doomed.

BUSINESS OUTLOOK

Lined up in Washington against Miller are growth-oriented industrial layers, grouped notably around the Commerce Department, who want to plug into the European "Grand Design"—a force of commercial banks and brokerage houses who are stung by Miller sabotage of U.S. banking and have concluded that the Grand Design can and will work—and advisors in the White House who consider recession just the thing that President Carter doesn't need.

For the first time, business leaders like the Aubrey Lanston brokerage house are publicly attacking Miller's forced rate rises, not only for leading to recession, but for being themselves the engines of inflation. In the current issue of its newsletter, Aubrey Lanston tells the obvious but previously unstated truth: High interest rates, with promise of even higher, force industry to borrow in advance, increasing the money supply and forcing further inflationary interest rate rises.

Courtney Slater, chief economist for the Commerce Department, echoed the attack in a June 30 interview with the *New York Times*. "We are treading a very fine line here," said Slater. "Any further tightening of monetary policy can seriously damage the economy."

This was followed by presidential inflation fighter Robert Strauss's declaration that the Fed's rate boosting "sure makes it tough" to convince business and labor to follow administration inflation jawboning. "It weakens our argument wherever we go. I think it is a mistake."

Even Miller's accomplice, Treasury Secretary Michael Blumenthal, joined the ranks of Miller's attackers by admitting in a June 30 speech at the National Press Club that high interest rates might hurt the economy. At the same time Brookings Institution economist Arthur Okun dangled the spectre of recession as both an attack on Miller and weapon of psychological warfare to prepare business leaders for a dollar crisis and collapse after the July Bonn summit.

That advice reportedly has prompted the White House to give careful review as to whether the Administration wants a recession-producer controlling the Fed. In a column entitled "Fed Board, Carter near Honeymoon's End," nationally syndicated columnist Hobart Rowan comments that "the Carter Administration, which consciously has been avoiding a confrontation with the Federal Reserve, may soon be forced into an open break if the central bank continues to push interest rates higher."

Miller the Scapegoat?

Condemnation of Miller's policies by his own allies hints that their faction in Washington may use the isolation of Miller or even his dismissal to threaten a collapse of U.S. monetary policy and a subsequent run on the dollar.

Threatening a new round of dollar instability is a time-honored weapon to derail world development plans. But European leaders, fresh from their Bremen summit meeting on the "Grand Design" for monetary stability, see a dollar collapse as probably an empty threat. All the more reason, anyway, to reconstruct the Euromarket for long-term economic development credits rather than allowing it to be used for short-term dollar bashing.

Miller's usefulness as a scapegoat and cover for the post-summit crash of the dollar predicted by Treasury Secretary Blumenthal in an interview with Horst Siebert of the West German *Die Welt*, is even further reduced by a decision by New York commercial banks to collaborate with German, French, and Japanese banks in strengthening the dollar on the foreign exchanges. At the end of June, New York banks had been arguing that European monetary plans to be announced at the summit constituted a bloc against the dollar; they are now convinced, in a policy shift, that the market will take the European moves as a long-term strengthening of the dollar.

Major commercial banks, first horrified by the contents of Miller's secret memorandum circulated at the Mexico City interim International Monetary Fund meeting in May (See Executive Intelligence Review, May 30-June 5, Vol. V, No. 20), which called for Bank of England governor Gordon Richardson's scheme to put reserve requirements on all U.S. Euromarket activity and open the U.S. economy to IMF surveillance, were even more aghast at Miller's favoring unregulated foreign banking operations in the United States.

A leading Chicago bank official said in a June 30 interview that "Miller's banking reform will make the U.S. economy look like the Eurodollar market. He is a threat to our banks." There is now widespread conviction among commercial bankers, who accepted former Fed Chairman Arthur Burns' recommendation of Miller, that Miller is dangerous.

While Miller tries to save himself if not his policy, a torpedo in the political waters is looking for its mark. The *Wall Street Journal's* Jerry Landauer broke the story on June 30 that the Justice Department is actively pursuing the Iranian, Ghanaian, and South American Textron payoff scandals, left unresolved when Miller replaced Arthur Burns in February. Landauer writes unequivocally that then Textron president Miller both knew of and approved the payoff to General Khotemi, Iranian Air Force head, for the sale of Textron's Bell Division helicopters. That means, of course, that Miller lied in his blanket denials to the Senate Banking Committee which confirmed his appointment in February.

-Leif Johnson

The Prospects After Bonn

Where both sides of the Grand Design fight are going next

As we go to press, the precise outcome of the Bonn Summit remains to be seen. But it is already certain that the Grand Design perspective of Third World industrialization and expanded high-technology trade, will be the thrust of continued efforts by the West German, French, and Japanese political leaders who determined the Bonn agenda, and of their allies in the Soviet and developing sectors.

The July 16-17 meeting in the capital of West Germany continues a series of meetings bringing together the heads of government of the seven leading industrialized noncommunist nations, to discuss pressing economic and political issues with the purpose of coordinating policy—wherever possible. The participating nations include the United States, Great Britain, West Germany, France, Italy, Japan, and Canada.

At the preliminary Bremen meeting July 6 of the European Economic Community members taking part in the Bonn Summit, a new European Monetary System was proposed for implementation in January 1979. As this survey shows, the implications of the EMS, and of the rest of the policies announced at Bremen, are now being drawn by the participants not just for Bonn, but for the months ahead.

1. Schmidt Helps Firm A Franco-German Alliance For Development

Both the planning that went into the Bremen summit and the conference coordination that produced European Economic Community approval for the Franco-German European Monetary System, was a triumph of economic, political, and press cooperation between France and West Germany. Seldom before have the two industrial leaders of the EEC mobilized their specific strengths for a common goal so thoroughly.

Moreover, Chancellor Schmidt's recent statements make it clear that the two nations are committed to a long-term economic organizing drive, that will last long beyond the Bonn Summit.

The division of labor that was worked out between French President Valery Giscard d'Estaing and West German Chancellor Helmut Schmidt before the Bremen premeeting sent Schmidt and his spokesmen to concentrate on explaining the economic aspects of the Bremen summit, while Giscard and his spokesmen concentrated on attacking any country that tried to sabotage the European Monetary System. This new system will use a noninflationary, tightly controlled European currency snake to stop the inflation of national currencies, and even before the conference, the British delegation, headed by Prime Minister James Callaghan, vigorously objected to this restraint on the City of London's right to manipulate and inflate currencies for its own speculative profit. But at the Bremen meeting itself, Britain, although threatening to leave the EEC,

finally had to acquiesce to the EEC majority behind Giscard and Schmidt.

Chancellor Schmidt, using the attention centered on him as the conference's host, seized the initiative on the first day of the meeting, July 6, by issuing the definitive statement on the European Monetary System:

It will be at least as strict as the current European snake, and will intervene only in national (European) currencies. We will pool our central bank reserves; of these, 20 percent will be in gold and dollars, and corresponding amounts will be from various national currencies. Anyone who wishes to speculate against the dollar from now on, is going to have to deal with the new European Monetary Fund.

Schmidt also revealed after the Bremen summit ended that he had spoken to President Carter twice about the new system, both before and during the meeting, and on both occasions Carter had approved the plan because he understood that the \$50 billion EMS fund would have sufficient reserves to smash any speculator who tried to drive the dollar down by bidding European currencies up. Armin Gruenewald, the Chancellor's press spokesman, detailed Schmidt's plan to protect the value of the dollar at a press conference on April 6:

The EEC has reached broad agreement on the new European monetary system in order to . . . influence the stability of the U.S. dollar. It was the erratic fluctuations of the dollar during the early months of 1978 which first prompted the Franco-German initiative, and by replacing the current snake with a wider-based new monetary system, speculators would find it harder to center on any one currency, when speculating against the dollar.

The Chancellor elaborated his succinct definition of the

European Monetary System in a July 11 interview with the *Financial Times*, again stressing that the Bremen decisions would create monetary stability that could only aid the dollar:

The lack of such stability has been a main factor in the structural upheaval of the world's economy since the early 1970s. I think domestic monetary stability and international currency stability are two absolutely necessary conditions for continuous growth. . . the heavier the weight of a basket of currencies vis-à-vis the dollar, the less rewarding does it become to speculate against the dollar.

In the same interview, the Chancellor was also more specific than he has ever been about how the new monetary fund he is creating will be invested: "We have to look for new products, new inventions, new goods, new capacity, and, above all, new markets."

While the West Germans were explaining the summit, the French initiated a coordinated campaign against the "British resistance" the summit was facing, with President Giscard's spokesman, M. Hunt, beginning the campaign with the charge: "the persistent obstruction from Britain is not going to make the summit talks easy."

On July 6, the French government's domestic radio station, *France Inter*, stated:

The choice for Britain is between U.S. Secretary of the Treasury Blumenthal or Helmut Schmidt. The dollar has been floating since 1971, and this disturbs everything. This should be unacceptable to Europe. If we can have an additional 1 percent growth in Bremen, then 1 million unemployed can have jobs again.... In the Federal Republic of Germany, people are skeptical only because of British resistance.

Predict a French and German Victory Over the British

The French daily Le Monde made this confident assessment of the Franco-German cooperation efforts, and sharply assailed Britain's "footdragging," in a July 9-10 editorial. Here, excerpts:

Europe is moving forward. . . Despite Britain's irritating obstruction there is every reason to believe that the European Economic Community next year will have a common monetary system involving "strict" parity relations. . . Chancellor Schmidt, supported by Giscard d'Estaing, has been the driving force behind the current upswing (in European cooperation). . .

The British, maybe because they have never made the choice for Europe, are surprised and dislike this new determination. Many are tired of British footdragging and rationalizations, and their skillfulness is unlikely to be sufficient to thwart the Schmidt-Giscard initiative. The British will have to resign themselves, after the Bremen Summit, either to join up or else to keep themselves aloof from their partners. . .

West German Saboteurs

This French radio report ascribing West German skepticism to British influence is a clear reference to the fifth column role played by the West German Free Democrats (FDP) and FDP Economics Minister, Count Otto von Lambsdorff during the Bremen summit. Both the FDP and Lambsdorff have modeled themselves after the near-defunct British Liberal Party, posing reflation and tax revolts as the cure for the present depression.

Several weeks before the summit, Lambsdorff tried to torpedo the strict anti-inflation bias of the EMS by telling the *Washington Post* that the Schmidt government planned a tax reduction, an inflationary move against the mark. Spokesman Gruenewald immediately issued a statement in Bonn claiming "this was not the opinion of the government, but only Minister Lambsdorff's personal opinion." But this did not deter Lambsdorff from convincing the FDP, the minority party in Schmidt's coalition government, and CDU-CSU opposition leader Franz Josef Strauss, that a tax cut, not the development and trade policies of the Bremen summit, was the key economic issue.

In turn, Strauss offered Lambsdorff, Schmidt's own Economics Minister, a chance to join the opposition by attacking Schmidt's role at Bremen in an interview with the *Frankfurter Allgemeine Zeitung* July 7:

I call upon the Bundesbank and Economics Minister Count Otto von Lambsdorff to fulfill their duties as watchmen, to guard price stability, and to join with the Christian Democratic Union-Christian Social Union to prevent Helmut Schmidt from implementing the Bremen resolutions. The Bremen resolutions violate fundamental German interests.

More typical of West German reaction was the public support given to Schmidt by Otto Wolff von Amerongen, the president of the German Chamber of Commerce and Industry, who assured the Chancellor of industrial support at a labor-industry roundtable meeting with Schmidt July 6. The West German Conference of Cities, which was meeting at the height of Lambsdorff's and Strauss's call for tax reduction, blasted their proposals as intended "to ruin the economic life of the cities."

2. Giscard's Post-Bonn Agenda Includes Human Rights For Portugal

The dying Portuguese economy is a prime example of an IMF dictatorship in action — not in some remote Third World country, but right in the belly of Europe. However, the visit of French President Valery Giscard d'Estaing to Portugal on July 18, immediately following the Bonn summit, carries the promise that the IMF's violation of the rights of the Portuguese will be ended through the implementation of "Grand Design" policies. The European Monetary Fund can provide Portugal with the long-term credits that can free Portugal from the IMF and unleash the country's labor power and technological potential.

A few weeks ago, in the framework of the "Grand Design" deployment toward the Bonn Summit, the French President was discussing with the Saudis the use of petrodollars to revive southern Europe's industries to the "take-off point." "Economic Prosperity for us Frenchmen depends on the way in which Northern Europe will commit itself to the development of Southern Europe," said the well-informed French weekly *Paris Match* on July 7. "It is there at our doors, in Spain, Portugal, Greece, and Turkey, that there lie the markets most susceptible of getting our factories to run and our unemployed back to work."

The IMF's Role In Portugal Condemned

L'Expansion, addressed to the French business community, included in its June issue an article by Maria de la Cal, "A New Government in Lisbon: the IMF," excerpted here:

By devaluating the escudo by about 15 percent (6.1 percent May 5th, 1.25 percent per month to the end of the year), the social-centrist government of Mario Soares has simply accepted the conditions made by the IMF for a \$750 million loan....Already guarantees to the IMF have been provided, initially, with the early April Assembly adoption of a budget and a middle-term plan (1978-80) which provoked alarm in the population as well as among businessmen, the latter fearing a loss of competitiveness, the former a loss in buying power.

This move ends the quarrel of the distinguished "Lusitanologists" wondering about the political coloration of the new governmental coalition: it is neither the right nor the left which rules in Lisbon, it is the IMF. The negotiations of Portugal with the IMF have been lengthy and stormy. They have been broken off more than once, with Victor Constancio, Minister of Finance and of the Plan, threatening repeatedly to reach agreement directly with the creditor countries. But the announcement of the balance of payments deficit for 1977 — \$1.5 billion, the value of four months' imports — sped things up. Two other litigious points should be dealt with soon: the level of the discount rate (the IMF proposes 9 percent; Portugal does not want to go over 7 percent) and the limitation of credit to industry.

Deep down Mr. Soares is, however, convinced that a policy of rigor is indispensable...

Inflation is harsh on the population — the cost of imports of food products has been multiplied by six since 1970, and Basilio Horta, the Commerce Minister, doesn't reject the possibility of rationing should this tendency persist.

Breaking the British Profile

The following are excerpts of "Appeal to the English," a July 11 article by Alain Vernay, chief economic editor of the French daily *Le Figaro*:

Everything indicates that Great Britain is committing itself to a delaying tactic to block the formation of a European monetary system, endowed with its own resources of \$50 billion and implying very tight exchange and trade relations between the participating countries.

This tactic seems destined to fail, to the extent that the two States with whom England affirms it has special relations, Germany and the United States, are, on the one hand the enthusiastic promoter of the project, and the other — unless there is an about-face by the White House — intent on demonstrating well-meaning neutrality towards it.

Why, after having been for so long an enemy of the Coal-Steel Treaty, and for so long hostile to the Rome treaty, is Great Britain trying for the third time to oppose the relaunching of a Europe which is seeking more stability and élan in front of the gyrations of the dollar?

Those who have always rejected (and we are among them) the inept concept of "Perfidious Albion," without being discouraged, will try to understand....

Does the systematic opposition of the (British) Prime Minister come from political considerations, since it is electorally profitable in England to be hostile to the Community several months from the elections . . . ? This factor necessarily came into play....

British spokesmen are embarrassed. They can no longer say that England is being the defender of its cousin, the United States, against some kind of a European conjuration, when President Carter has given his agreement in principle to Chancellor Schmidt and the French President. For the moment, in this affair, it does not seem like London is working for Washington.

The English are also embarrassed in affirming that a new, more stable, European monetary system would only be the triumph of German hegemony....

One shouldn't attach exaggerated importance to the old sayings according to which the "gnomes of the City" would want to maintain monetary disorder, because their *savoir-faire* permits the English to profit from it.

Giscard: The Socialist Countries Must Play A Part

In an interview oriented around the perspectives of the Bonn economic summit, French President Giscard d'Estaing told Le Monde July 13 that the socialist countries must be brought into the new economic system being developed, and into development aid to the Third World — which he compared to the Marshall Plan for Europe:

We must now transfer resources to the underdeveloped countries to give them autonomous means of production and development . . . We must create a system of additional aid for development, conceived both in relation to the needs of development, and in terms of the creation of additional economic demand which will contribute to getting out of the present deflationary situation . . . It is indispensable that the socialist countries play their part . . . They must consider themselves full-fledged partners in the world economy. . . What counts is the networks of economic and monetary relations as a whole.

There remains the idea that England is seeking a certain isolation and total independence in its movements, because it feels richer than the other members of the Community because of its oil resources.

It seems to us, on the contrary, that England underestimates its forces whereas France possibly presumes its own. The profound motivation of Downing Street is undoubtedly — let's say the word — a certain defeatism, the sentiment that a united Europe would impose a discipline and a deflation too heavy for England...

Each on his own level must launch an appeal to his English friends by asking them not to play as though they are, from now on, placing themselves — wrongly — in the "second division" of Europe, alongside the countries with the least developed economies and not integrated in the EEC, like Spain, Greece and Turkey...

An opportunity is passing...And more than the oil of the North Sea, it is also a chance for England. Jim Callaghan will only have a name in history if he renounces breaking this new European élan, so fragile and so promising.

Bremen: 'A Historic Event?'

"And what if Bremen was a historic event?" headlined a July 10 Les Echos article by Jacques Esperandieu, quoted below:

The Bremen summit is a landmark event for two reasons: it gave birth to a European monetary system....and — what is a less fortunate development — Bremen saw a new escalation in the disturbing evolution of Britain's policy toward the EEC, with its unmistakable reticence for the new monetary system, its obstructionist attitudes in energy matters, and its strictures on the evils of the Common Agricultural Policy — everything was there!

...Is it that the British want to preserve the status of the City of London as the world's major financial market?...

3. Japan Will Pursue Development With Or Without The U. S.

There is now an unprecedented consensus within Japanese business and officialdom for Japan to launch a political offensive for international development, at the Bonn summit and afterwards. According to banking and government sources, Japan is abandoning its 30-year practice of following the U.S. lead in international policy forums.

"Premier Fukuda will push these development policies at Bonn. If the U.S. does not agree, he will take a bold attitude toward the U.S.," one banker told this news service. Agreeing with many of his colleagues, he confirmed that Japan's approach will correspond to that taken by the Europeans at Bremen. Japanese diplomatic sources in Europe say that at Bonn, Fukuda will propose a new international monetary system compatible with the new European Monetary System. Evidence of the

backing for Fukuda's plan is the fact that prior to his departure for Bonn, Toshio Doko, the head of Japan's leading business federation, Keidanren, publicly endorsed the \$500 billion Third World development program drawn up by Mitsubishi Research Institute, which is the economic backbone to any monetary reform proposal.

The view dominating Japanese thinking is perhaps best represented by top economic advisor Miyazawa's frank remarks to the *New York Times*. "At the Bonn summit," he warned the U.S. Administration, "if we stopped rowing the boat, then the boat would not stay still in the river. It would stand a real chance of going backward, back to a waterfall of protectionism."

Japan's Global Energy Policy

Here is the text of an article appearing in the July 2 issue of the Japanese daily Mainichi on Japan's energy policy for the Bonn Summit:

Japan will again propose at the Bonn summit to launch a Japanese-United States cooperative effort to develop a process to harness fusion power and other alternative energy sources, officials said. They quoted Prime Minister Fukuda as instructing his Cabinet minister earlier in the day to prepare plans to be presented to President Carter.

At a summit meeting in May, Carter reportedly agreed in principle on the Fukuda advocated plan for a joint R and D program. But subsequent working-level talks on plans to harness energy generated by nuclear fusion, solar energy, and other alternative energy sources have made little progress.

In response to Fukuda's call the government will next week set up a taskforce of experts from the Foreign Ministry, MITI, the Ministry of Finance and the Science and Technology Agency.

The team will be charged with the task of working out financial plans for a joint fund for the proposed committee and to promote contacts of scientists between the two countries.

Chief Cabinet Secretary Shintaro Abe told reporters that the plan stands a good chance of winning support from other government leaders taking part in the Bonn summit and leading to an international cooperative effort.

Miyazawa: The U.S. Has Failed To Give Leadership

Japan's Economic Planning Minister Kiichi Miyazawa strongly criticized the "all talk, no give" approach of the Carter Administration to the ongoing trade talks in Geneva and the upcoming Bonn economic summit, in an exclusive interview July 9 with the New York Times. Although the Times interpreted Miyazawa's remarks to be a Japanese endorsement for the Carter Administration's low-growth energy program, the Minister's main argument is that the United States has the international responsibility to defend the dollar from harmful fluctuations in value. Miyazawa is well known in Japan as an exponent of the belief that the primary cause of the dollar's weakness is not the large U.S. oil import bill, but rather the steady decline in recent years of the

ratio of high-technology manufactured goods to total U.S. exports.

What follows are excerpts from the New York Times account of the interview:

The head of Japan's Economic Planning Agency says that this country has been disappointed with American leadership preceding a major seven-nation economic conference to be held next week in Bonn.

The Planning chief, Kiichi Miyazawa, who is generally regarded here as the man who runs the economy for Prime Minister Takeo Fukuda, also said during an interview that he regrets the failure of Congress to enact energy legislation and is fearful of a protectionist trend in the United States after elections in the fall.

In unusually severe remarks in advance of the July 16-17 session in West Germany, Mr. Miyazawa expressed "great disappointment that President Carter seems to be going to Bonn empty-handed." The Japanese official said Mr. Carter and his trade negotiator, Robert S. Strauss, "are really unfortunate, they don't have anything to give, it's all take."

"We would certainly hope that the President will tell the Bonn meeting that by a certain date the U.S. will have its own comprehensive energy program," Miyazawa said, stressing the words "by a certain date."

"Not only does your government have the energy bill to complete, but you have a big budget deficit of the order of \$60 billion..." Mr. Miyazawa had few kind words for the United States, but he did try to avoid direct criticism of President Carter.

Repeatedly, Mr. Miyazawa came back to the topic of the Bonn meeting and the danger of protectionism.

"At the Bonn summit, if we stopped rowing the boat, then the boat would not stay still in the river, it would stand a real chance of going backward, back to a waterfall of protectionism."

The Japanese Coalition with Europe

Prime Minister Takeo Fukuda called in several Western journalists to his office July 10 for an extensive discussion of his plans for the Bonn summit. Of particular note in Fukuda's comments were his references to Japan's close relations with West Germany, and his country's plans to expand the Tokyo money market. Many Japanese government and business officials have been holding discussions with their American and European counterparts, especially the Bank of America and Deutsche Bank, on using the Tokyo money market to fund capital-intensive development projects in Southeast Asia.

What follows is a summary of the Prime Minister's remarks compiled from the West German dailies Die Welt, Handelsblatt, and Frankfurt Rundschau, and the Financial Times of London.

Fukuda emphasized that he enjoys meeting with West German Chancellor Helmut Schmidt, saying that in their three previous meetings the Chancellor has shown a considerable understanding of Japan's problems. Moreover, he said, of all the countries attending the Bonn summit, Germany is the only one that Japan has had

consistently good relations with, going back even before World War II. "In Japan there is a saying: 'Learn from the Germans.' Our nation has long been an admirer of Germany," he said.

Fukuda vehemently denied charges that Japan is responsible for the instability of the world economy, which U.S. Treasury Secretary Blumenthal and British Finance Minister Healey have often claimed is a result of Japan's large trade surplus. But if it will help improve international relations, Japan is willing to discuss at Bonn increasing its imports and reducing its export growth. He stressed Japan will not be indiscriminate in increasing imports, just to reduce the trade surplus; instead, the products must be useful for Japan, such as uranium, oil, and aircraft. A further measure to deal with Japan's surplus will be the expansion of the Tokyo money market, Fukuda said, which will help circulate Japan's accumulated dollars. This will be combined with a full doubling over the next three years of Japan's aid to the developing countries, and greater Japanese participation in international development projects.

Overall, Fukuda said, the main topic at Bonn will be what measures the United States will take to control inflation and reduce its trade deficit, adding that Japan will not be alone in putting these questions before President Carter.

'Europe and Japan Must Take Leadership in Bonn'

Following are extracts of a five-page advertisement inserted into the West German daily Frankfurter Allgemeine Zeitung by the Bank of Tokyo. Titled "The Role of the Federal Republic of Germany and Japan in the World Economy," its aim is to create an international climate which obliges President Carter to join the Grand Design at the Bonn Summit.

German-Japanese relations have entered a new era Over the last 100 years Japan has learned much from Germany in military matters, medicine, science and art Even now, in the face of a strong revaluation of the yen, the Japanese are very enthusiastic about learning from Germany how they have overcome the problems caused over a number of years by the revaluation of the D-mark

In the eyes of the Japanese the Germans are good examples to imitate and are an object of admiration Japan and Germany have many things in common, in spite of the differences in their economic structures and geographical situations. Their peoples are industrious, and they are famed for their strong sense of ethics; they have few natural resources. Both are very dependent on international trade; both were conquered in the Second World War and after the war experienced an "economic miracle." Both countries' roles in the world will be even more important in the future Your role is often like that of a ship's captain.

The mid-July Summit meeting in Bonn will provide an important opportunity to hold discussions on the measures which can be taken by Japan and Germany towards stabilizing the world economy As Japan's Ambassador in Bonn, Yoshino, has said: "In order to ensure the conference's success, for us there is only one

possibility: Japan and Germany must take over the leadership." . . .

In this way, Japan and Germany have initiated the emergence of a big new power. Both countries should have a joint strategy for collaboration with the United States, in order to expedite the reconstruction of the world economy

The days are over when each country could limit itself to its own exclusive circle The areas in which both countries have to cooperate in a horizontal division of labor are constantly expanding. In order to intensify in a harmonious fashion trade relations between both countries, both must strengthen their efforts to adjust to the changing requirements of the world market.

4. 'Britain Misjudged Badly' And Now Revises Its Options

The British, totally unprepared for the economic coup Chancellor Schmidt and President Giscard pulled off in setting up the European Monetary Fund, have been decisively isolated from their European partners.

"I am ready to do anything that will strengthen our own currency and give it greater reserves, provided our British interests are satisfied," intoned British Prime Minister James Callaghan amid cries of "hear, hear" from his parliamentary peers during the House of Commons debate on the outcome of the Bremen summit. Callaghan's calm, assured tones to the British nation that there had been "substantial" agreement on the need for growth and economic development between the European Community leaders could not disguise the obvious truth about the meeting's outcome.

All of Britain's factions are now running for political cover. As the July 9 *Sunday Telegraph* warned: ". . . the choice for Britain may be brutally simple: to align her economy with those of her richer European neighbors, or to stay out on the wings, perhaps with Greece, Portugal, and Spain, in a kind of poor man's club." On July 10th the *Guardian* concluded, "The British misjudged badly."

Two definite, and a third as yet merely potential, policy options emerged from the chaos of the post-Bremen British political scene:

1. **The "Callaghan" option**—Hold out from joining the Europeans for as long as possible. Callaghan and the left-wing of the Labour party charge that the inability to use the floating exchange rate to keep British exports "competitive" will destroy the British economy, and therefore West Germany and other strong nations will have to provide for "resource transfers" to Europe's poorer nations (e.g., Britain).

2. **The "Tory" option**—Support the Schmidt-Giscard plan as a way of imposing "Friedmanite controls" on Europe's more profligate nations. In particular, use the European Monetary Fund as a regional International Monetary Fund to destroy any possibility of dirigist government investment in European industry, and slash public expenditure by looting Europe, Third World style.

3. **A trade union-industry approach**—Under pressure from their European counterparts, will a critical section of Britain's population back the European Grand Design as the only solution to Britain's economic decay?

Callaghan's Demise

Only days before the Bremen meeting, Callaghan was still angling behind the scenes to bust up the Franco-German axis in an attempt to salvage what remained of his great international initiative, the five-point program for world monetary reflation and domestic fiscal austerity. Callaghan reportedly dictated the infamous *Guardian* article which charged that Callaghan was set to "split" the EEC to keep the Schmidt-Giscard grand design from being implemented. Despite frantic threats from Callaghan that Britain would be forced to "renegotiate" its terms of entry into the EEC, and perhaps withdraw its NATO troops from West Germany if no financial support for them was forthcoming, the EMF was instituted. Callaghan came back to Britain with his tail between his legs.

Upon Callaghan's return, his strategy—in reality worked out jointly by the architects of Britain's capitulation to the IMF strategy in 1976, Denis Healey, Bank of England head Gordon Richardson, and Labour "business" expert Harold Lever — was viciously attacked by the Tories, who before the summit were giving tacit support to the government's approach.

How dare Britain, home of economic decay, give West Germany, Europe's postwar economic miracle, lessons in economic management! the Tory press self-righteously fumed. Tory leader Maggie Thatcher declared in Parliament, "We are more likely to get out of the problem of world recession by cooperating with our partners than by standing aside from the scheme they have put up."

Significantly, the Tory party, allegedly in preparation for the expected fall General Election, underwent a major shake-up during the past week in the wake of the Bremen meeting. Former Prime Minister Ted Heath, affectionately known as "Mr. Europe" to the British press for his role in bringing Britain into the EEC in 1973, announced that the long-standing feud between himself and Mrs. Thatcher was ended and that his services were now fully at the disposal of an "envigorated" Conservative party. All the celebration and rejoicing which followed this announcement did not hide the obvious, however. Thatcher, an outspoken critic of the Soviet Union and detente, and friend of the Chinese, was no longer "credible" as a national leader, suggested the prestigious *Sunday Observer's* editorial. Heath would raise the "right questions" within the party to put it back onto a center-moderate track.

How the Options Surfaced in Britain's Press

The Guardian, London, Op Ed, July 10:

For whatever reason, the British misjudged badly. They had expected to continue with studies of various schemes for stabilising European currencies without entering into any kind of commitment at Bremen. Instead, they found themselves obliged to address a

specific draft scheme presented by the Germans and the French. They were unable to prevent its publication. No fudging of the communiqué could disguise the fact that it was a scheme along these lines which the Community leaders were determined to agree at their next summit, with or without the British. . .

Daily Telegraph, London, editorial, July 10:

If Suez marked for Britain the point of relegation from the First Division to the Second, last week's Common Market summit at Bremen may be seen in retrospect as the point of relegation to the Third Division. . . that is the harsh reality.

Sunday Telegraph, London, July 9:

What does seem certain is that the rest of the EEC—especially W. Germany and France—will not allow Britain to ruin the scheme; if necessary, they will press ahead without her. . . So the choice for Britain may be brutally simple: to align her economy with those of her richer European neighbors, or to stay out on the wings, perhaps with Greece, Portugal, and Spain, in a kind of poor man's club.

Sunday Telegraph, London, July 9:

It (the Bremen Summit) seems to have produced one dramatic development, which has both upstaged Mr. Callaghan, and to some extent turned the tables on him. The German Chancellor, Helmut Schmidt, has taken the initiative together with President Giscard d'Estaing and put forward a plan designed to stabilize Europe's currencies and lead towards European monetary union. If Britain wants concessions from the Germans, if indeed she wants any influence at all, this is the price she will have to pay... Whatever promises we make to study the proposal, our answer will be no.

The Observer, London, July 9:

The special relationship between Mr. Callaghan and Chancellor Schmidt. . . is now in serious disarray. Senior Ministers are deeply worried about apparent isolation from France and West Germany, after Mr. Callaghan's refusal at last week's Bremen summit to endorse the Schmidt-Giscard stabilisation plan for European currencies. The initiative in isolating Mr. Callaghan appears to have come from the French and was at least partly based on suspicions about Britain's reliability as a European partner.

The Times, London, July 11:

If eventually a plan based on the Franco-German proposals at the Bremen summit is brought into operation it will be bound to fail (and fail sooner rather than later) unless simultaneously there is an equally clear and very strong commitment by the participating countries to putting their monetary policies on a converging course. . . the Prime Minister's attitude of scepticism. . . seems to have been realistic. . .

The Guardian, July 11:

(The Schmidt-Giscard plan) is inspired by the economic philosophy of Professor Milton Friedman. . . in other

words, national governments in the weaker economies will not be free—because of the rules of the new system—to allow a rate of growth of the money supply significantly higher than that in the stronger economies even if this was justified to promote the fastest optimum national rate of economic expansion. . . British export industries are going to need all the advantage they can get from a competitive exchange rate. Unless sterling is given this freedom Britain seems bound to lose markets—and therefore jobs—to more competitive economies such as West Germany. . .

The Daily Telegraph, July 11:

(Observers) are dubious about this British Government's ability, or indeed any British Government's ability, to enforce quickly the discipline which will be necessary to keep sterling steady against the mark, and about the problems which would be involved in managing a steadily depreciating pound once inside a European monetary system . . .

5. Italy Isn't Taking Orders From The British Press

Britain is relying on the Keynesian wing of the Italian Communist Party to substantiate press lies that Italy's Prime Minister Giulio Andreotti is joining the British campaign to halt the economic programs coming out of the Bremen and Bonn summits.

In reality, Andreotti was openly critical of the British "Jenkins Plan" at the Bremen summit, contending it would force Italy to channel 70 percent of government spending into labor-intensive agriculture.

In an interview released to the current issue of *L'Espresso*, Andreotti announced full support for the Bremen communiqué. "Bremen has been very important for Italy," he said. "Italy must not exclude herself from Europe." Further, he added, it is "decisive" for Italy's future to participate in the "monetary snake proposed by Schmidt."

Informed sources in the Vatican have privately stated that Andreotti "will go to Bonn to support Chancellor Schmidt."

British Communists

After a Rome visit by the Socialist International's Willy Brandt, the Communist agent wing led by Giorgio Napolitano and Giorgio Amendola launched attacks on the government's high-technology agricultural policy — also under fire from the EEC Jenkins plan, which calls for cutbacks in agricultural output.

While Prime Minister Andreotti was making his commitment to Bremen and Bonn public, Communist Party economist Barca was demanding that menial jobs, labor-intensive agriculture, and low-technology energy be given priority over industrial development — precisely the British demand.

Even the coverage of the Bremen meeting in the Communist daily *L'Unita* has remarkable similarities to the disinformation campaign conducted by major British

dailies and echoed in the *Washington Post* and *New York Times*. Writes *L'Unita*:

One step forward over the terrain of monetary stability, two steps backward over that of economic solidarity: the conclusions of the European Council of heads of state just concluding in Bremen could be summarized that way The agreement is not certain, nor unanimous or

definitive. The two days of discussions did nothing to lessen British opposition and Italian worries. Both Andreotti and Callaghan accepted the principle of participating in the elaboration of the (monetary) mechanism only on the condition that the Bremen document be an "open" one, that is, susceptible to profound modifications that take into account — said Andreotti — "the conditions of those countries which have different development and inflation rates"

The Truth Behind The Bell Contempt Order

SWP case is a set-up for terrorism and a prelude to Cartergate

On July 7, a Federal Appeals Court stayed the contempt of court order which was delivered against Attorney General Griffin Bell on July 6. The unprecedented contempt citation against the Attorney General was handed down in the civil suit brought by the Socialist Workers Party (SWP) against the FBI and other federal law enforcement agencies.

Bell was cited for contempt by Federal Judge Thomas Griesa after he had refused to comply with Griesa's earlier order directing him to release 18 FBI informant files. Bell has stated that the confidentiality of informants is vital to law enforcement and counterintelligence, and has therefore declined to produce the informant files pending review by a higher court.

The long-range significance of the SWP case is that it is an integral part of an operation run by the Institute for Policy Studies (IPS) and other British-connected networks in the U.S. which involves weakening U.S. intelligence agencies and destroying their ability to take effective preventive action against terrorism and organized riot scenarios. The SWP case involves both the "left-wing" IPS networks and right-wing Buckleyite networks, the same circles that are showing up in the contrived attacks on the New York FBI office and the so-called defense of recently fired New York FBI head Wallace LaPrade.

Griffin Bell becomes the man caught in the middle—whose basic responsibility is to defend the operating and counterintelligence capabilities of the FBI, while responding to the cynical exploitation by IPS networks of the record of past FBI abuses and misdirection of FBI operations.

Prelude to a New Watergate

A secondary feature of the present contempt proceedings against Attorney General Bell is that they have become a potentially significant factor in a second British-directed scenario—the hoped-for dumping of President Carter and his replacement by Walter Mondale. As the Nixon episode shows, the first step in getting rid of a President is to get rid of his Attorney General. The possibility of a Bell resignation has already been mooted by New York Times columnist Tom Wicker; this would leave Carter totally vulnerable to being shoved out in favor of the Mondale-Kennedy option.

The SWP case poses the type of issue over which Bell might feel compelled to resign rather than compromise on what he considers a matter of principle—the government's pledge of confidentiality to informants—even though were Bell to take this

"honorable" way out, he would be opening up the nation to a far greater threat.

The SWP Case

The SWP lawsuit against the FBI, CIA, and other agencies was filed five years ago, in the wake of the first disclosures of the so-called Cointelpro activities of the FBI. Enormous amounts of money have been raised for the suit by Kennedy sidekick Ramsey Clark, who heads a defense committee composed of similar IPS race-riot organizers and terrorist-supporting lawyers such as Leonard Boudin of the National Lawyers Guild.

Judge Griesa has given the SWP unprecedented amounts of pretrial discovery, to the point where the SWP claims to have obtained over 100,000 pages of FBI documents. Griesa has declared a virtual open house at the New York FBI offices, where dozens of extra agents were assigned just to process FBI files for release to SWP lawyers. Griesa has also done everything possible to force Attorney General Bell into a corner — including refusing to certify his discovery order against Bell so that it could be appealed to a higher court, and refusing to allow Bell and the Justice Department to work out any compromise on the disclosure of files and the contempt order.

Who is Judge Griesa? He was previously handling antitrust and SEC securities cases at the Wall Street law firm of Davis, Polk, and Wardwell. More interesting, he was appointed to the federal bench at the personal recommendation of Senator James Buckley of the "conservative Fabian" Buckley family. (The lavish treatment accorded to the SWP by Judge Griesa is fruitfully contrasted with the contrary treatment accorded to civil rights suits brought by the U.S. Labor Party, where only a few hundred pages of FBI documents have been parsimoniously produced as the result of pretrial discovery in half a dozen suits, and that generally resisted every step of the way by the government.)

What is the SWP?

The position of the SWP as the principal "left" organization to be used to destroy the FBI is not accidental. The present-day SWP is a Fabian liberal's delight: its entire activity is organized around support for gay rights, women's rights, environmentalism, affirmative action, Chicano rights, black nationalism and community control, etc., etc., etc. In fact, the only difference between an SWP "socialist" and a Kennedy liberal is that the SWPer will be slightly more militant in defense of gay rights (and probably also more active in

the practice of gay rites).

But on the other hand, the SWP has access to a historical tradition as a pro-working class organization which is lacking in the newer IPS creations. Thus it can point to a history of FBI surveillance and penetration going back to 1938. In fact, the FBI had officially admitted to having 1,331 informants in the SWP from 1960 to 1976; 300 of these were dues-paying members of the SWP. Many of these informants are still "in place" as the FBI considers it would be too obvious to pull them out. Observers suspect that many of these "ex"-informants are high within the SWP leadership.

However, despite this extraordinarily high level of FBI penetration into the SWP, it should not be assumed that the FBI actually *ran* the SWP. The FBI's role was primarily a secondary, disruptive role. The actual political direction of the SWP came not from the FBI but from the Institute for Policy Studies and related institutions such as the Ford Foundation. It has been from these London-connected, Kennedy-IPS networks that the actual subversive character of the SWP and its relationship to terrorism and organized race-riot scenarios has emanated.

However, there is no reason to believe that the FBI was not totally blind as to the real subversive threat of the SWP and its role in the "non-violent support" layers within which actual terrorist deployments take place. FBI investigative efforts toward the SWP and similar groups has historically been directed to seeking out the "international communist" connections to such organizations. Failing to find or substantiate any such connections, the FBI terminated its investigation in 1976 — just at the point where there existed real cause for such an investigation to take place under proper direction. But for the FBI and the Justice Department to have understood this would have required a political intelligence capability which is unfortunately lacking in these agencies today.

The SWP Today

Terrorist deployments operate on a number of "levels" simultaneously. At the top level sits the Black Guelph oligarchy which plans and directs terrorist deployments through the British Secret Intelligence Service principally. On subsequent levels one finds the direct terrorist controllers and deployers; and at the lowest levels one finds the hard-core terrorist dupes, surrounded by a milieu of "conditioning" organizations which both prepare the general psychological climate in which terrorism and organized riot scenarios take place, and which also function as a "screening" agency for future hard-core terrorists.

It is from this standpoint that the SWP today must be evaluated.

Up until the early 1960s, the SWP—at least in terms of its membership—retained a nominally pro-labor, pro-socialist outlook. Its "militant trade unionist" orientation took the classical "Trotskyist" form of maintaining an abstract commitment to technological and industrial progress "come the revolution" —while simultaneously refusing to do anything to contribute to the realization of industrial progress and development under capitalism. Nonetheless, the typical SWP cadre of the 1940s and 1950s

is completely distinguishable from the SWPer of the 1960s and 1970s. (The ideal type of SWPer today would be a black-Chicana-Indian-lesbian-environmentalist; however, since such combinations are hard to come by, the SWP will settle for white counterculture victims who pledge to simultaneously support affirmative action, the ERA, the anti-nuclear movement, the "Chicano movement," "Indian rights," etc.)

The shift in the SWP away from a formal trade unionist orientation came in 1963 with its adoption of a perspective for support of black nationalism. (This was "coincidentally" the year when the IPS thinktank was established.) By 1965 the SWP was totally taking its marching orders from IPS and the Ford Foundation; in 1968 SWPers were in the front ranks of the fascist "community control" operation aimed at busting the New York City teachers' union.

Today, the SWP still maintains a "non-violent" profile, while functioning as part of the conditioning network and the infrastructure on which terrorism and race riots depend. The typical SWP member today is fascist in his psychology, representing an extreme counterculture, local control, environmentalist and anti-capitalist outlook.

Internationally, the terrorist connections are even more direct. The titular leader of the so-called Fourth International, with which the SWP is affiliated, is Ernest Mandel. Mandel has been an active and significant member of British-linked intelligence networks throughout the entire postwar period. He was a key figure in the formation of the "New Left" in Western Europe, and played a significant role in creating the Maoist groupings in West Berlin in the mid-1960s.

All of this would in fact be within the proper domain of FBI surveillance and counterintelligence activity aimed at effective *preventive* action against terrorism and race-riot scenarios. Indeed, the SWP's Fourth International links provided a proper subject for FBI surveillance in terms of investigating foreign intelligence-agency control even during the pre-1963 period.

The misdirection of FBI surveillance capabilities, and the sometimes improper use and abuse of those capabilities, must not now be used to destroy the ability of the FBI to function as a counterintelligence and counter-terrorist agency. Judge Griesa apparently has no qualms about undermining the effectiveness of the Justice Department and the FBI while building the credibility of the SWP and the proterrorist infrastructure it represents.

The Second Circuit Court of Appeals has now taken the ball, and will review the contempt order and the FBI files disclosure order over the next few months. Ultimately, the issue will undoubtedly reach the U.S. Supreme Court.

It is highly unlikely — in fact, virtually inconceivable—that either the Court of Appeals or the Supreme Court would uphold sanctions such as imprisonment against the United States Attorney General. but meanwhile, the Justice Department and the FBI remain totally preoccupied with the flap over past abuses so that they are seriously diverted from carrying out their legitimate mission, and the cloud over Attorney General Bell's head extends over the White House as well.

—Edward Spannaus

'Grand Design' Comes To Mediterranean

Turkey and the Soviets sign an economic cooperation pact

On June 23, Turkish Prime Minister Bülent Ecevit concluded a three-day trip to Moscow by signing a historic "political document of friendship and cooperation" and an impressive accord for economic development.

NEAR EAST

These agreements mark a significant move, drawing not only Turkey but the entire eastern Mediterranean into the international Grand Design for peace and regional development. The agreements also threaten to undermine ongoing destabilization operations being carried out in Turkey by British-linked intelligence networks.

The political accord, while not formally a

nonaggression pact, pledges the Soviet Union and Turkey, a member of NATO, not to use force against one another, nor to allow third parties to use their territory for "aggressive and subversive actions against other states."

The political document was coupled with extensive economic agreements that will increase Turkey's trade with the Soviet Union by 200 percent over the next three years and provide for Soviet-Turkish collaboration in the search for Black Sea oil. In addition, Turkey will purchase three million tons of oil — one fifth of its oil needs — from the Soviet Union each year, paying for it with grain, metal, and meat products rather than with hard-to-come-by foreign currency. Collaboration in uranium exploration in eastern Turkey and Soviet assistance in nuclear power development were also worked out.

Unlike the political document, the details of which had

A Closer Look At The Turkish-Soviet Economic Accords

Unprecedented in their scope, the Soviet-Turkish agreements signed last month mark a turning point in economic relations between the two countries. "Although we don't share the same ideology as the Soviets," commented one Turkish diplomat, "we like doing business with them. Unlike the IMF, for example, which is bleeding us dry, the Soviets know how to develop. They give us realistic terms — low interest, long-term credit — which is what a developing country like Turkey needs."

Oil. The Soviet Union will supply Turkey with 3 million tons of oil annually in return for wheat, metal, and meat. If, at the end of three years, the goods have not paid for the oil, the balance will be made up in hard currency. The deal allows Turkey, which has had difficulty importing oil because of a lack of foreign currency, to defer the cash cost of oil. The oil exported to Turkey by the Soviets will account for 20 percent of Turkey's annual needs.

Basic goods. The Soviets will help solve Turkey's needs for coal, fertilizer, and steel through direct exports, or will set up plants in Turkey.

Black Sea oil refinery. The Soviets will build a 54-million-ton-capacity refinery on the Black Sea, with oil being transported in from the Batum oilfields.

Joint Black Sea oil exploration. According to several observers, the agreement to collaborate in the search for Black Sea oil deposits was drawn up as a

model for joint Turkish-Greek collaboration in the search for Aegean oil deposits.

Electricity imports. Severe shortages of electricity have crippled much of Turkish industry.

Energy. The establishment of hydraulic and thermal centrals in Turkey, and possibly nuclear reactors.

Dams. Three dams and hydroelectric power stations in Turkey are planned.

Subway systems. For Istanbul and Ankara.

Joint uranium exploration. In eastern Anatolia.

Industrial expansion projects. Expansion of the giant Iskenderun steel works and the Seydisehir aluminum factory, both Soviet-built.

Tourism development.

Exports to the Soviet Union. The Soviets have agreed to buy as much wheat as Turkey can sell, textiles, buses, meat, metals (excluding iron), and other goods.

Transportation. Ferryboats running between Varna and Odessa will now stop at the Turkish port of Trabzon. Also, it was agreed that Turkey will make use of the Soviet Union's canals and waterways to export goods to Scandinavia.

Joint Soviet-Turkish Economic Commission. In September, a joint Soviet-Turkish economic commission will meet in Moscow to discuss additional joint economic projects. "After this meeting of the commission," commented Ecevit, "an even further leap (in Soviet-Turkish relations) will have been achieved."

largely been worked out beforehand, the economic package offered by the Soviets was not anticipated by the Turks and reportedly came as a surprise.

The Soviet press agency TASS welcomed the Turkish-Soviet accord as "a contribution to detente." The *Baltimore Sun* compared it to the 25-year Soviet-West German cooperation package worked out in May between West German Chancellor Helmut Schmidt and Soviet President Leonid Brezhnev.

Greeting Ecevit upon his arrival in Moscow, Soviet Prime Minister Aleksei Kosygin made it clear that the U.S. has nothing to fear from the Turkish-Soviet rapprochement. "I wish to stress," said Kosygin, "that the goals that the Soviet Union is pursuing vis-a-vis Turkey — the goals of peace, good neighborliness, and cooperation — can neither harm any third country nor be turned against the interests of another peace-loving nation."

Ecevit emphasized the peaceful intent of the Soviets by noting that the political document "does not pursue any aims other than to contribute to the cause of peace, security, and mutually advantageous cooperation." Ecevit denied that the Soviets sought in any way to alter Turkey's commitment to NATO and dismissed rumors that the Soviets had offered arms to Turkey. "The Soviet leadership has acted out of the correct understanding that we are both members of different alliances," stated Ecevit. "They refrained from offering military supplies, and we haven't asked for them."

European Support

The Soviet-Turkish rapprochement parallels proposals made to Ecevit during an official visit to West Germany in May. At that time, Chancellor Schmidt offered substantial West German financing for a series of major development projects in Turkey. Schmidt also prompted initiatives to grant Turkey an international debt moratorium to reverse the threat of economic collapse.

According to a recent report in *Business Week*, Schmidt plans to unveil at the Bonn economic summit a \$10 billion development plan for southern Europe, according to which the developed countries of northern Europe will export on a massive scale to the underdeveloped south.

In a parallel development, Italy's Prime Minister Giulio Andreotti called July 7 for a "Mediterranean-wide agricultural modernization program." Earlier, on June 27, the day following Ecevit's return from Moscow, Italian Foreign Minister Arnaldo Forlani arrived in Turkey to discuss expanding economic and political ties between Turkey and Italy in the interest of Mediterranean security and in the context of the new Turkish-Soviet agreements.

The French are also keenly interested in developing southern Europe. According to French press sources, President Giscard d'Estaing is discussing with the Saudis possibilities for investment in Turkey, Greece, Spain, and Portugal.

Kurdish Clashes

The Soviet and European initiatives are providing an economic alternative for the Ecevit government, which is beleaguered by the continuing austerity demands of

the International Monetary Fund and by the renewed provocations of British and Israeli intelligence-backed Kurdish insurgents in the Turkey-Iran-Iraq border region.

Over the past several weeks, bloody clashes between rival Kurdish tribes, as well as between Kurdish separatists and Turks, have escalated to the degree that observers are warning of civil war and military intervention. The extremist right-wing press is noisily accusing Iran and Iraq of fomenting the Kurdish crisis, while Turkey's Maoist sects — charged up by Chinese Foreign Minister Huang Hua's recent visit to Turkey — are attacking the Soviets for being behind the Kurds.

At the same time, violent left-right student clashes, provoked by commandoes organized by Col. Alparslan Türkeş of the neofascist Nationalist Action Party, have become daily fare throughout Turkey. One or two people are gunned down in these brawls every day, and scores are wounded.

Fanning the flames, former Prime Minister Süleyman Demirel is calling on Turkey's backward peasantry to wage a "holy war" against the government, to prevent Ecevit from bringing "communism" to Turkey. Türkeş is organizing similar antigovernment sentiments throughout his networks in the Turkish military and intelligence services.

The destabilization of the Ecevit government and the polarization of the population into warring camps serves to force Turkey away from cooperation with the Soviets and the Europeans and into a NATO-style, anti-Soviet Middle East Treaty Organization (METO). Currently being proposed by British-linked Zionist circles, the METO strategy is intent on thwarting a Middle East peace settlement based on East-West entente.

To suck Turkey into METO, said a spokesman for the World Jewish Congress, it is necessary to "Islamicize" Turkey, a euphemism for undermining Turkey's development-oriented intelligentsia and putting the reactionaries around Türkeş, Demirel, and National Salvation Party leader Necmettin Erbakan into positions of power.

Ecevit's Reply: Development

To stabilize the volatile Kurdish situation, Ecevit has launched an ambitious development project for Turkey's impoverished southeast to bring the Kurds' standard of living into the 20th century and thus undercut continued British manipulation of the region. Ecevit is urging Iran and Iraq to join in the project to ensure regional stability.

Last month, Ecevit, accompanied by a large entourage of ministers and other government officials, traveled to southeastern Turkey to announce the development campaign personally. It was the first time that a Prime Minister had ever visited the area.

The first stage of the project, declared Ecevit in a speech in the town of Hakkari, will be the construction of roads. "With the implementation of the highway project," stated Ecevit, "the farmers will not only have roads but all the benefits of development and civilization. . . . A speedy flow of investments and services will begin toward eastern and southeastern Anatolia. . . . accelerating the development of not only this region of Turkey but the entirety of Turkey and the Middle East."

At the same time, Turkey's Interior Minister has announced that stricter border control measures have been put into effect to prevent the free movement of Kurdish insurgents into and out of Turkey, Iraq, Iran, and Syria. Ecevit has also announced his intentions to uncover who and what is behind terrorism in Turkey.

There are also signs that the government, bolstered by the economic accords signed with the Soviets, may be stiffening its resistance to the International Monetary Fund. Two weeks before the arrival in Turkey of an IMF mission to ensure Turkish austerity in accordance with a letter of intent signed last spring, Bilsay Kuruç, a high level official from Turkey's State Planning Organization, charged that the notion of cutting Turkey's high growth rate — one of the long-standing demands of the IMF — is outrageous.

"Turkey's development," stated Kuruç in an interview in the Turkish weekly *Yanki*, "has come to such a point that it is inconceivable to think of slowing or stopping this momentum. The utilization of our full resources and manpower will expand this development in proportions impossible to foresee today."

Soviets Recall Common Past

The Soviets are keenly aware of the need to reinforce and guide Turkey's prodevelopment initiatives toward the Grand Design, particularly in light of the current antigovernment outbreak inside Turkey. Speaking in Minsk late last month, Soviet President Brezhnev praised Ecevit's visit to Moscow as a major contribution to international peace.

Brezhnev invoked the common heritage and historical precedent for Turkish-Soviet cooperation by noting that the Soviet-Turkish political and economic pacts "constitute an important leap in the expansion of

relations consolidated by Lenin and Atatürk." Atatürk, the founder of the Turkish Republic, defied the British by wresting the shards of the Ottoman Empire from colonial control and transforming the country into a modern republic.

Similarly, the Shah of Iran, picking up on Ecevit's overtures for regional cooperation, gave an address last week lauding the common efforts of Atatürk and Reza Shah, the current Shah's father, to eradicate poverty and backwardness in their respective countries via education and culture. Both Atatürk and Reza Shah, said the Iranian leader, "very well knew that no nation, without achieving a high level of education, can achieve the necessary level of development."

—Nancy Parsons

Cypriot President: Get British Bases Off Cyprus

During Ecevit's stay in Moscow, the Soviets tried to effect a breakthrough in the Cyprus deadlock by urging Ecevit to meet with Cypriot President Kyprianou. Ecevit has so far been prevented from settling the Cyprus question by the hard-line, pro-Türkes factions in the Turkish military.

Over the past several weeks, some breaks in the situation are beginning to appear, however. Following talks last week in Ankara between Greek and Turkish foreign ministry officials, the Turkish daily *Milliyet* reported that the Greeks "appear prepared to undertake

Ecevit Proposes Joint Development Of Eastern Turkey

The following are excerpts from a June 18 speech given by Turkish Prime Minister Bülent Ecevit in the border town of Hakkari in the southeastern corner of Turkey to announce a regional development project. The project, whose initial focus will be road-building, is designed to uplift, as rapidly as possible, the backward population living in that area, and in so doing, free the region from continued manipulation of tribal warfare by British-tainted intelligence networks intent on preventing Turkish integration into European Grand Design planning.

Giving priority to the underdeveloped regions does not mean discriminating (against the rest of Turkey), but on the contrary it means erasing the already existing discrimination. . . .

With the implementation of the highway project, the peasants will not only have roads but all the benefits of development and civilization.

The highway itself is not the ultimate goal of this project but a primary vehicle of development. Through the roads that are being inaugurated today a

speedy flow of investments and services will begin toward eastern and southeastern Anatolia. . . .

There are vast marketing potentials for the products of the region just on the other side of the borders. Utilization of these potentials and the establishment of productive economic cooperation with the neighboring countries will speed up not only the development of this region of Turkey but the whole of Turkey and the Middle East.

Today I have experienced the happiness of speaking in this city which has borders with two neighboring and friendly nations, Iran and Iraq.

This administration believes in the necessity for the developing countries to get involved in effective and multilateral regional cooperation for the establishment of a just world economic order and for reducing the imbalance between the developed and developing countries.

There is an open possibility for launching the foundations of just such cooperation with Iran and Iraq, both our friends and neighbors.

These potentials have not been utilized up until now. Our government is ready to take every step in order to make up for this loss and delay.

serious and sincere efforts for the settlement of the differences" between the two countries. Similarly, Greek Foreign Minister Rallis stated that Turkey is sending out signs of willingness for serious discussions with the Greeks. According to both the Greek and Turkish press, Turkey has proposed the signing of a "political document" between the two countries.

The activities of Cypriot President Kyprianou, who has endorsed Ecevit's trip to Moscow, are critical to peace efforts. Currently, Kyprianou is organizing international support for a peace plan he has devised to demilitarize Cyprus and close down Britain's two military bases there, one of which is known to house nuclear warheads. The British government has rejected the proposal.

The demilitarization of Cyprus will, if successful, have the following positive effects:

(1) increase the chances for a Cyprus settlement and the stabilization of the volatile eastern Mediterranean;

(2) destroy Britain's use of Cyprus as a center for a major gun-running network that funnels arms to the Lebanese Falange, among others;

(3) thwart the use of Cyprus as a spawning ground for terrorists operating in the Middle East and in Cyprus itself; and

(4) isolate Israel. Without the backup of Britain's nuclear capability from Cyprus, the efforts of hawks such as Moshe Dayan to ignite a Mideast war would lose much of their deadly momentum.

Kyprianou in London

Last month, Kyprianou went to London to press Britain to take a more responsible role in the quest for a Cyprus

settlement commensurate with its role as a United Nations Security Council member and a guarantor of the island republic.

Since Cyprus became independent in 1960, Britain's pledge to guarantee the integrity of the island has been "absolutely worthless," said one Cypriot diplomat, citing Britain's refusal to intervene to stop the 1974 coup against the late President Makarios as well as her refusal to prevent Turkey's subsequent invasion of Cyprus. Instead, Britain has been covertly involved in fomenting Greek-Turkish animosity on the island as well as in arming and training EOKA-B terrorists, many of whom operate from Britain's two military bases.

In London, Kyprianou put forth his peace plan and called for British cooperation. The proposal calls for the complete demilitarization of Cyprus, including the dismantling of the Greek Cypriot National Guard, the Turkish Cypriot militias, armed terrorist bands, and the removal of Turkish troops. An integrated and neutral Greek Cypriot and Turkish Cypriot police force would then be set up under direct UN control.

Kyprianou also proposes the formation of a committee of Greek, Turkish, Greek Cypriot, and Turkish Cypriot representatives to collaborate with Europe to move toward an international settlement of the Cyprus conflict.

While Prime Minister James Callaghan spurned the proposal, French President Giscard has responded favorably to Kyprianou's ideas. In the coming weeks, Kyprianou will take his plan to West Germany, the Soviet Union, Italy, Belgium, and India.

Venezuela's Dangerous Compromise

The perils of pursuing economic development without the necessary political corollary

Venezuela will go to the polls next December to elect a new President, but President Carlos Andres Perez's aggressive industrialization policies will not have a single defender among any of the candidates. *Every candidate*, from those of the two major parties, Accion Democratica and Copei, to the left splinter groups, all

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agree that for the next five years Venezuela must slow down the "excessive" economic growth experienced under President Perez, "reorient" development away from industrial transformation towards "social infrastructure," sell many of the booming state sector enterprises back to private interests, and "retrench" in foreign policy away from any leadership in the international community into concern for Venezuela alone.

Venezuela's Minister to the Presidency, Carmelo Lauria, accurately stated several weeks ago that "accelerated growth" — the domestic policy of President Perez — is now a matter of "survival" for the

Venezuelan nation. Venezuela's brute-force industrialization policy of the past five years, in fact, has served as a model and rallying point for dirigist development factions throughout Latin America and the Third World. And under Perez, Venezuela has thrown its weight behind Third World and OPEC nation's efforts for a world economic recovery based on the development of that Third World.

However, the core elite of Venezuela's nationalist pro-industrialization forces, centered around the presidency of Carlos Andres Perez, have suffered from a consistent, and potentially fatal, flaw in their strategy for developing Venezuela into a modern nation.

The strategic blunder of the Perez forces is simple: they have tried to get away with enforcing an *economic* policy of industrialization, while at the same time compromising with the *political* networks publicly committed to undoing the "accelerated growth" built up by the Perez Administration.

Specifically, Perez and his allies have not only tolerated, but actively accommodated themselves both internationally and domestically to the overlapping networks of the U.S.-based Kennedy family and the Willy

Brandt-British intelligence-deployed wing of the Second International. Internationally, this compromise is best exemplified by Perez's lavish support for the misnamed "human rights" policy of U.S. National Security Advisor Zbigniew Brzezinski, a policy conforming fully to the Second International zero-growth policy profile. Within Venezuela, Perez has often struck deals with the forces centered around former President Romulo Betancourt, a man intimately tied to both the Second International and the Kennedy crowd for all of his political career, and who has bitterly fought Perez's policies throughout his presidency.

No Successor

Although the next President will not be inaugurated until March of next year, the political life of Venezuela is already dominated by antigrowth, "think small" policies. The stifling atmosphere has put the country's development forces on the defensive before a continual populist barrage against "savagely growth" and the "excessive presidentialism" of the Perez government.

The strikingly similar programs of the presidential candidates are not accidental. The essentials of all their programs are presented in a recently published work entitled *Contemporary Venezuela and Its Role in International Affairs* — a profile of Venezuela produced by the New York City Council of Foreign Relations (CFR), a thinktank historically tied to British interests. The CFR study, promoted publicly in Venezuela by the Betancourt-led faction, lays out a series of scenarios for economic crisis, social upheaval, and a possible coup, all of which will force Venezuela to retreat from its present aggressive nation-building policies. Even a quick perusal of the CFR study provides the reader with the format of every major "idea" of Venezuela's present candidates!

The "Echeverria Treatment"

Perez is facing more than politicking in the final months of his rule, however. Open economic warfare against Venezuela has already begun and is scheduled to escalate to the proportions of massive capital flight, forced devaluation and a private sector investment freeze of the kind directed against the outgoing Echeverria government in Mexico in late 1976.

The purpose behind this warfare is identical to that directed against the development policies of Echeverria: to ensure that by the time Perez steps down, he and his policies are completely discredited, and that the country is in such chaos and instability that the institutions, policies, and constituencies of development built up over the past five years can be systematically dismantled. No Perez-led "counterpole" to the CFR is to be left intact.

The Echeverria treatment against Perez started last month with a barrage of articles in U.S. and British financial press warning against investment in Venezuela, and predicting a looming economic crisis due to the supposed ineptitude and wastefulness of the Perez government. An article appearing in the May 1978 issue of *International Currency Review* (ICR), a British-intelligence controlled monthly, details the *purpose* behind these deliberately repeated falsifications.

ICR takes aim against the state sector-led basic industrialization policies of the government, against the "orgy of expenditure" of the "corrupt and inefficient public sector," the "uncontrolled preference for imports (of) technologically advanced and inappropriate equipment." But, as ICR confidently predicts, "priority programs will have to be severely mauled" before the end of this year, because of "unprecedented financial difficulties" resulting from a predicted drop in oil revenues.

In a precise parallel to the anti-Echeverria operation, the British intelligence outlet goes on to openly predict a run on the Venezuelan currency, and ominously warns of political problems for the "country's ostensible democracy" coming from an "active rural and urban guerrilla movement" — a gross exaggeration of reality which signals British intelligence plans to create just such a terrorist movement.

In mid-June, National Security Advisor Brzezinski himself was caught in an operation retailing these supposedly "objective" findings on the Venezuelan economic situation. A flurry of scandal erupted in Venezuela when United Press International "leaked" a confidential report to President Carter June 11 (reportedly written last March) which stated that the U.S. government feels the outcome of next December's general elections in Venezuela will be determined by the issues of the Perez government's "mismanagement of oil income, inflation, and corruption." Shortly thereafter, however, this news service received confirmation from reliable sources that the UPI story was "planted" by Robert Pastor, the Latin American assistant to Brzezinski on the National Security Council.

Venezuelan government officials, including President Perez himself, immediately responded, accurately identifying the UPI "leak" with the series of articles that had appeared in the international press a few weeks prior, all of which had repeated the same "inflation, waste, and economic crisis" line. The intent of the press campaign is clearly "political," the officials charged, with the object of discrediting Venezuela's model of industrialization. Information Minister Celestino Armas emphatically stated that such slanders will not silence the accomplishments of the Perez government, noting that in the same week as the UPI report, Venezuela opened the second largest aluminum plant in the world in the east of the country, and began work on the Guri dam, the biggest such project in the hemisphere.

Yet despite that accurate and angry response by government officials on the reason behind the anti-Venezuela campaign, the *source* of the campaign has been left completely untouched. In fact, while Brzezinski is deliberately leaking slanders against Perez's government, Perez is fervently supporting Brzezinski's human rights destabilization against Latin America. With every such capitulation, Perez unwittingly strengthens the hand of his own opposition.

Betancourt's Mafia Politics

The single major error of President Perez and his allies that has left him vulnerable to this campaign has been consistent, and continuing refusal to organize a mass-based, institutionalized support around the issues

of economic growth and industrialization. Instead they have played by the rules of the mafia-style politics that have gripped Venezuelan "democracy" since World War II. Put another way, they have been willing to make deals with Romulo Betancourt — the man most responsible for founding that "democracy."

Betancourt, president-for-life of the ruling Second International-led Accion Democratica, is the Fabian political godfather of the country. A typical "caudillo," Betancourt has controlled virtually every political grouping in the country for most of the past 20 years — whether nominally left, "independent," or even the "opposition" Christian Democratic party.

During his presidency between 1959 and 1964 Betancourt brought into his government the "desarrollista" (developmentalist) economists around British-schooled Raul Prebisch to implement the "socially oriented" stabilization policies of Kennedy's Alliance for Progress. Despite the rhetoric, that misnamed Alliance was in actuality a largely successful effort to mobilize the resources of the continent through austerity programs prepared by the International Monetary Fund in order to keep Latin America from being swept by a wave of bankruptcies, debt moratoria, and revolutions "a la Cubana" in the wake of the 1958-59 recession. The slogan of investing in "the social infrastructure" was used to block the development of heavy industry in the country while refusing to nationalize the nation's oil resources — a necessary first step to any serious industrialization strategy.

From his position as President, Perez in the first years of his administration began to challenge Betancourt's tight control over Accion Democratica. In the political climate shaped by Perez's nationalization of the oil and iron industries, the nationalist, growth-oriented factions within Accion Democratica were significantly strengthened. In the last year, in particular, a humanist faction of private industrialists gained control over the country's powerful business federation, Fedecamaras, and explicitly endorsed Perez's state sector-led industrialization. That business faction is now in fact one of the most active forces in the defense of accelerated growth, and is also demanding the country continue with the next stage of development: the creation of a basic capital goods industry.

For the last two years, however, the key issue has become who will control the next administration. Leading up to the Accion Democratica presidential primary in July, 1977, it was daily public gossip that Perez and Betancourt were locked in bitter battle over the candidates.

But it remained only public gossip — while the real issues were settled in the party's backrooms. At no point did Perez or his faction launch a broad political campaign to educate the population on the vital question of economic growth, or name Betancourt as the principal

proponent of keeping Venezuela in the misery of underdevelopment. While Betancourt and his networks were actively organizing against the Perez government (Betancourt *personally* called for a Nixon-style Watergate against the Perez Administration at one point), Perez's faction paid public obeisance to Betancourt as the "Father of Venezuelan democracy." Betancourt's AD candidate, Luis Pinerua Ordaz, thus secured the party's nomination last July, and with it the position of probable-next-president — a powerful platform which he has used to try and make Perez a lame-duck president for the remaining year and a half of his administration.

The Consalvi Connection

The *political* blindspot of the Perez faction has been carried over into international policy with a vengeance. Here, Perez has given the Second International-Kennedy networks a virtual free hand in the past year — in almost direct correlation to Betancourt's tightening *domestic* stranglehold.

In blunt point of fact, Perez has allowed himself to become at Brzezinski's prompting a virtual spokesman for Jimmy Carter's backward orientations within the hemisphere. Under the "guidance" of Foreign Minister Consalvi, a Betancourt collaborator trained by Brzezinski, and who personally circulated 3,000 advance copies of the CFR's "Contemporary Venezuela" within the country, Perez has revived the long discredited "Betancourt Doctrine" which justified intervention against the "nondemocratic" governments of the hemisphere, giving badly needed credibility to Brzezinski's human rights charade.

Another disastrous Perez foreign policy blunder was his proposal to the annual OPEC meeting last December for an OPEC oil price hike to bail out Third World debts — thus subverting his own commitment to a real solution to the Third World's economic crisis by adopting a slick British scheme for debt repayment. Here again, a Betancourt crony and Kissinger friend, Manuel Perez Guerrero, conduced the proposal to Perez, who gullibly expounded it.

Political Campaign Required

Despite the degenerating political situation of the past year, the sheer weight of Venezuela's economic success under Perez still forms the underlying political reality in the country. Powerful industrialist factions, factions of the military, and the core of the state sector interests are committed to Perez's nation-building strategy. Today, the attacks on the Five Year basic industrialization strategy by the Venezuelan candidates are carefully couched to appear only as calls for "more rational," "slower" rates of growth; it is only British financial magazines that openly state that what's wanted is the full dismantling of industrial development itself ... immediately.

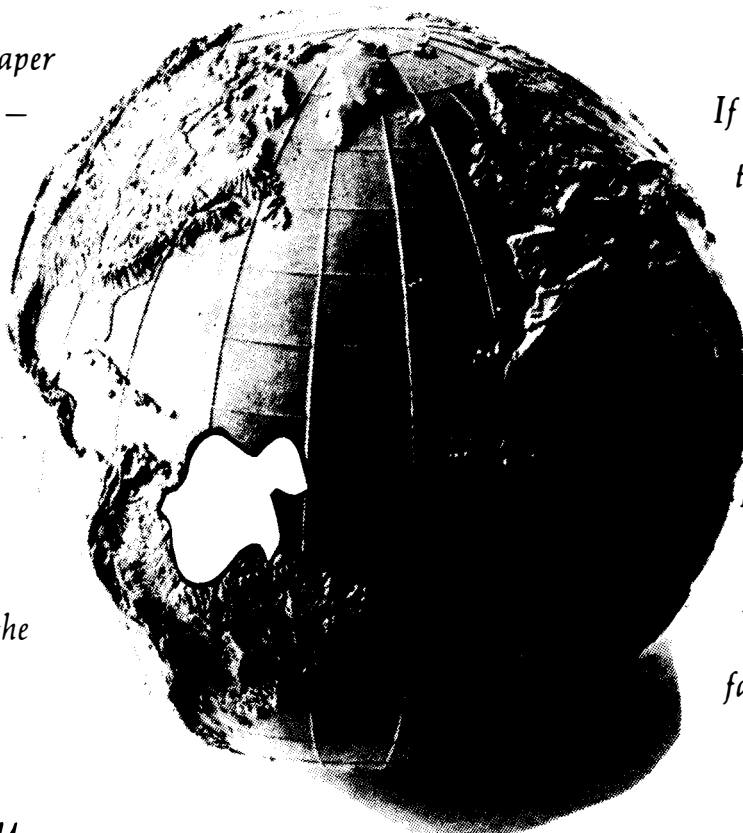
—Gretchen Small

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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 DENUNCIATE AND ABOVE ALL HIS COSMETIC CONCESSION THAT HE WOULD AUTHORIZE SUPPLY OF ONE SHIPMENT OF ENRICHED URANIUM TO INDIA, FOR ENDING THE INDIAN EXPLOSION. THE JOURNAL CONCLUDES: "IT IS DID AFTER THE INDIAN EXPLOSION. MR. CARTER DOESN'T NOTICE MIKES AND IS IN ADDITION TO BELIEVE THAT HE THINKS A LETTER WILL KEEP THE OTHER HAND, PERHAPS IT WAS NOT THE INDIANS WHO WERE INTENDED TO OVERHEAR THE OPEN MIKE. PERHAPS THE CANDIDATE CARTER WHO PROMISED NEVER TO TELL US A LIE WAS USING THE PLOY 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 HAS SUCCESSFULLY DENIED ANY TRUTH TO THE STORY THAT CALLAGHAN HAS SUCCEEDED WHERE CARTER HAS FAILED, AS PRESENTED IN THE LONDON TIMES, TODAY'S SECRET DAILY TELEGRAPH ADDS ONE IS TO ARRIVE AT THIS TIME. DESA'S SECRET PROMISES AND CLOSING DETAILS AT THE COMPROMISE AGREEMENT WITHOUT TOTALLY DIS- FEEDGES' TO PAKISTAN WHERE HE WOULD USE THESE ASSURANCES TO PRESS THAT COUNTRY TO AGREE TO NEW RESTRICTIONS AND SAFEGUARDS ON ITS IN PAKISTAN JAN. 11, ONE DAY AFTER THE NEW YORK TIMES ANNOUNCED CONTRACTED FRENCH NUCLEAR REPROCESSING PLANT. CALLAGHAN ARRIVED IN PAKISTAN JAN. 11, ONE DAY AFTER THE NEW YORK TIMES ANNOUNCED CURRENT CONTRACTS.

MIDWEST COLD FREEZES OHIO COAL STOCKPILES

JAN. 11 - AS THE NATIONAL STRIKE OF U.S. COAL MINER AND COAL-HANDLING MACHINERY, A SPOKESMAN HAS FROZEN ELECTRIC UTILITY TOLD THIS NEWS SERVICE THAT THE CUSTOMERS HAVE BEEN ASKED TO VOLUNTARILY CUT THE FACILITY IN SHIPPING REPORT, PA. HAS BEEN SHUT. THE UTILITIES AFFECTED ALL EXPECT TO HAVE T. DAY, HOWEVER A SECOND COLD FREEZE IS PRE- WEEKEND. THE ONGOING MINERS' STRIKE ALTERNATIVE USED LAST WINTER FROZEN COAL. IN FRESH COAL TO REPLACE WINTER FROZEN COAL. THE OHIO STATE ENERGY OFFICE DURING TV COAL DELIVERIES TO RESIDENTIAL USERS

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

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