was adamant as well on the formulation of "austerity, then exports." "We can only afford to export resources if we have a corresponding reduction in U.S. consumption here at home," he said, "and to enforce that consumption cut, you need credit cuts."

Further explaining Connally's incoherence is the fact that his "bold program of export expansion" is an attempted answer to the January 1978 Proposal to Expand the U.S. Export-Import Bank of Democratic presidential candidate Lyndon H. LaRouche, Jr. Connally, of course, has rejected the significant plank of LaRouche's proposal, a U.S. remonetization of its potential $70 billion in gold reserves to create the liquidity to heavily finance a U.S. export blitz. This alone should tip off the corporate executive who might otherwise be attracted to LaRouche that Connally has no real intention of implementing an export program.

Connally's first priority in fact is (as he brags about having done it in August 1971 when he collapsed the U.S. dollar) to get top down control over the entire economy, including trade policy, and to squeeze it dry of credit. "I am proud of the dramatic and necessary action we took" then, he says. "International trade functions ... should be centralized ... directly into the National Security Council."

Then, with continuing tight credit, we might have some trade—to be wielded primarily as a weapon against our European and Japanese allies, says the Republican candidate. Connally proposes a North American Common Market of the U.S., Mexico, and Canada to exploit Mexican oil resources for "a new game plan designed to capture a larger market share in Asia," i.e., trade war against Japan.

'Credit crunch'

Connally may have complained in his $30,000 campaign spot on CBS-TV on Oct. 31 about suggestions that Americans "lower our standard of living," the famous demand of Fed chairman Volcker before Congress the week before. But Connally has, in fact, backed Volcker all the way, starting with his Oct. 11 campaign kickoff speech to the Washington Press Club, where he endorsed Volcker's then fresh monetary cuts wholeheartedly, "provided that there also be fiscal restraints," that is, concommitant cuts in government spending. Connally todl *Business Week* on Oct. 22 that he supports Milton Friedman's proposal for a constitutional amendment requiring a balanced budget and a legislated lid on federal spending. In Connally's terms, that translates into across the board cuts in vital government programs.

"Connally sees inflation as the nation's number one problem," Julian Reed told a journalist recently. "We need a credit crunch and cuts in spending. Unemployment is necessary. We must knock the waste out of the economy."

Foreign trade is a national security matter

What follows are excerpts from John Connally's speech to the National Foreign Trade Council meeting held in New York City Oct. 22:

A few years ago, it was believed that the major changes seen in the world economy during the prolonged crisis between 1968 and 1975 resulted from what an OECD report called "an unusual bunching of unfortunate disturbances, unlikely to be repeated on the same scale..."

Today, we know better. It is now clear that these crises are not passing phenomena. There is no going back automatically to the prosperity of the past, and the policies of the past will not bring us a bright future.

The U.S. has now dropped from having the highest per capita income in the world, to having only the seventh highest. ... In light manufacturing and in certain industrial goods, the U.S. no longer has a trade balance in our favor. We are failing to compete successfully with manufacturers in West Germany, France and in (a number of) newly industrialized countries. ...

The erosion of the dollar has been the result of aimless drifting in our international economic policy. ... Instead of a vigorous export policy, new disincentives to exports piled up. When the administration was ultimately forced to come up with an export statement, it consisted of little more than promises to study the issue.

In 1971, I advised President Nixon that the post-war era was over. We could no longer give away international markets as well as our own industries to Europe and Japan on the premise that they were still recovering from a war which ended a generation before.

As Secretary of the Treasury, I participated in the basic decisions which led to the devaluation of the dollar, and I am proud of that dramatic and necessary action we took. It is now universally recognized that the dollar, pegged to a fixed exchange rate for more than 20 years, was over-valued, and that devaluation was badly needed.

Today, our dollar is weak in part because we have not mounted an aggressive trade program to support it on the world market. ...

If we are to compete in this world, we have to mend our ways. Trade must be a very high governmental priority. Our President needs to be a person who understands the domestic and world economy and who is willing to devote his time to economic issues. ...

One of the greatest single changes which has occurred in American trade has been the growth for U.S. products in this hemisphere. If we add our $20 billion of trade with Latin America, our total trade in this hemisphere will total over $107 billion, making the hemisphere, as a whole, our largest trading market.

I have proposed a North American Common Market that could unite the economic resources of Canada, Mexico and the U.S. This economic union would be a formidable trading bloc, with a combined GNP of $3 trillion. ...

The North American Common Market that I foresee would be unique—not comparable to the Europeans. It would incorporate bold new methods for economic growth. We would integrate trade, investment, technological assistance and labor to mobilize our collective economic resources. This union would allow infant industries a measure of protection by developing sector-by-sector, region-by-region at a rate that is beneficial to all parties. If a North American Common Market is to work, it must work for all members.

President Lopez Portillo of Mexico put it best when he stated that the problem of energy cannot be isolated from questions of economic development, industrialization, migration, and a respect for the sovereignty and dignity of our neighbors. For this reason, such an approach must take into account not only Mexican oil and natural gas, but also a complete commitment by the U.S. to tailor its programs so as to further develop our markets for exports and encourage the reciprocal exchange of goods with our North American neighbors.

... The U.S. can no longer afford to be paternalistic. This hemisphere is our largest market. We need that market, we need to grow in that market and we need to assist these nations to develop more rapidly, in order to secure our own growth.

We must also take a new look at Asia. ... American trade has shifted from the Atlantic to the Pacific. ... We cannot afford to run the same tired old offense, but must develop a new game plan designed to capture a larger market share in Asia. ...

In a practical sense, this means we must quit designing products exclusively for Europe, and begin to out-Japanese the Japanese, and design products for the Asian markets. It also means that government, business and labor must cooperate to develop special programs and products to capture Asian markets. ...

We must field a team of Yankee traders composed of trading companies, finance and insurance groups, technical and logistic specialists; and be willing to launch any other activity that is required to capture these new markets. We must also back up our products with the new means of credit at a rate comparable, or better than, our competition. We should *never* lose a sale because of second-rate financing. ...

Recommendations

I propose that industries which invest in capital equipment to increase productivity should be allowed an accelerated depreciation write-off. ...

I propose a special investment credit be given to companies which reinvest profits in research and equipment to improve productivity or the quality of their products. ...

We must overhaul our trade law and agreements pertaining to technology transfer. ...

First, we need to remove the disincentives to exports which are only serving to divert sales from American companies to foreigners. Many of these disincentives, designed to achieve very noble objectives in such areas as human rights, environmental improvement, and tax equity, are not accomplishing the objectives for which they were designed and are depressing unnecessarily our foreign trade.

I also support legislation to make it possible for the U.S., like Japan, to have large trading companies at the forefront of our export drive. ...

To do this, we must increase both the funds available to the Export-Import Bank, as well as improve the efficiency of their operation. ...

We should expand our insurance protection for exporters comparable to the insurance coverage offered by Lloyd's of London. This expanded insurance program should be incorporated into the Exim Bank. ...

Serious consideration should be given to integrating the investment insurance program of the Overseas Private Investment Corporation (OPIC) and the development loan operation of the Agency for International Development into the Exim Bank to provide a comprehensive "one-stop" financing and insurance program better than those offered by other major trading nations.

To keep world trade a two-way street, we should insist upon strong enforcement of the new trade agreements. The next president should aggressively enforce U.S. laws to protect our industries and workers against unfair foreign competition. ... Better access to foreign markets must be a central part of our export growth strategy. I am for telling our trading partners that the U.S. expects the same access to their markets as they enjoy in our market. ...

The Carter administration has just fumbled the ball on trade reorganization. Bold directions were proposed by members of Congress and the business community who were fed up with the absence of a coordinated and ineffective trade policy. They fell on deaf ears in the administration.

We need to organize our efforts and talents to the task of promoting foreign trade. I would propose that the international trade functions within the federal bureaucracy should be centralized.

I propose that international economic policy should be integrated directly into the National Security Council system.

I propose that the Secretary of the Treasury, as the government's top economic policymaker, should become a full member of the NSC. ...