

National News

Reagan forms new policy coordination body

President-elect Ronald Reagan announced the creation of a new branch of the executive-branch transition Dec. 15. Called the Office of Policy Coordination, the new unit is charged with gathering information from a variety of sources and developing issues and policy options for consideration by senior transition officials, cabinet officer designees and the President-elect.

Named to head the OPC was Darrell M. Trent, who is on a leave of absence from the Hoover Institution. A colleague of Reagan's chief domestic adviser Martin Anderson, Trent will report directly to transition director Edwin Meese.

The OPC is divided into six subsections: Human Services, Resources and Development, National Security, Legal and Administrative Agencies, Science and Technology, and Economic Affairs.

According to Reagan transition team spokesmen, the OPC will concentrate on planning an agenda for the incoming administration, including executive and legislative initiatives intended to implement the programs and policies of the Reagan government.

Soviets meet with Republican advisers

Georgi Arbatov, director of Moscow's of U.S.A.-Canada Institute and a member of the Soviet Union's Central Committee, led a delegation to the United States during the second week in December, for private meetings at the Foreign Policy Research Institute of the University of Pennsylvania. One of the main subjects discussed by the Soviets was arms control negotiations.

The Americans attending included William Kintner, director of the institute; Paul Nitze, former navy secretary and founder of the Committee on the Present Danger; Army General (retired) Richard Stilwell, former commander of American

troops in South Korea; W. Scott Thompson, professor at the Fletcher School of Law and Diplomacy; and Helmut Sonnenfeldt, a former top State Department official. All these men have been on panels advising the incoming Reagan administration.

According to one participant at the meeting, the Soviets indicated that in regard to arms control, "they are interested in talking. The Soviets maintain that SALT II should be the basis for future negotiations. It is up to the U.S., they believe, to make any other proposals. It is a sensitive issue though; they are afraid that we would try to inject things into the agreement they have already rejected. The Soviets have the hope and expectation that they can do business with the new administration, that it will be more predictable than the old one."

N.Y. Fed witnesses demonstration

EIR economics editor David Goldman delivered an angry message of protest on Dec. 18 to the headquarters of the New York Federal Reserve Bank, against the Fed system's high interest rate policy.

On invitation from the National Democratic Policy Committee, a multi-party political action committee, Goldman addressed a rally held outside the Wall Street New York Fed office, through a loud bullhorn which could be heard in every Fed office there.

As Goldman spoke, NDPC representatives carried an effigy of Federal Reserve chief Paul Volcker up the Fed building staircase, and invited Fed employees to shake the effigy's hand. Passersby asked rally organizers, "Who is this man Vulture?" When told, "he's the one who pushed up interest rates," observers frequently responded by pointing to the effigy and saying, "hang him."

Opposition to Volcker was also voiced on Dec. 17 by Lone Star corporation, a leading cement and construction materials producer. Lone Star purchased full page ads in the *New York Times* and *Washington Post*, which read in large letters, "Warning, Poison," and then

stated, "The interest rate policy of the Federal Reserve System is driving the economy of the United States into self-destruction."

Lone Star reports that its switchboard was tied up all day Dec. 17, as hundreds of callers around the nation thanked them for the ad, and read texts of angry telegrams they planned to send to the Fed in Washington.

Senator Heflin calls Volcker inflationary

Senator Howell Heflin (D-Ala.) has sent a letter to Federal Reserve Board chairman Paul Volcker demanding that he take "immediate steps to bring about a dramatic reduction in interest rates." According to the *Birmingham Post Herald*, Heflin, who is close to farm groups in Alabama, warned Volcker that the Federal Reserve's tight-money policies were in fact "fueling rather than halting inflation." He termed "disastrous" the effects of high interest-rate policies on small business, homebuilders, farmers and average consumers.

Farmers in particular will suffer, Senator Heflin warned, unless interest rates are lowered before the start of the next planting season. Heflin reportedly is returning to his Alabama constituents during the Christmas season to campaign against Volcker.

Senator Schmitt rejects economic shock treatment

Senator Harrison Schmitt (R-N.M.) this week attacked proposals for budget-cutting "economic shock treatment."

In an interview with the Dec. 19 issue of *Science* magazine, Schmitt, a former astronaut, said: "I've seen statements attributed to Congressman Kemp and Congressman Stockman and George Shultz to the effect that the economy needs shock treatment, and the treatment should be administered without discrimination, wherever there is money to be cut. I frankly think that this is unnes-

sary and extraordinarily dangerous.

"You might have a brief pulse of improvement, but the country will start going downhill again very rapidly unless we rejuvenate our technological base. However, let me say that I think that those areas of science and technology that are short term in their impact can best be handled in the private sector through tax and regulatory incentives. Those that are long term and high risk are going to need a major federal presence. . . . I believe that in the next ten years . . . we could demonstrate commercial feasibility of fusion power, and within 20 years we could have a major commercial fusion plant in operation. . . . As a portable fuel we will eventually be headed toward hydrogen."

Heritage pushes Hobbs Act reform against labor

Senator Orrin Hatch, the Utah Republican who will head the Senate Human Resources and Labor Committee, says that he plans to push for reform of federal anti-extortion statutes to make labor officials and union members liable for prosecution for strike violence.

The AFL-CIO says that they will mobilize against the move, charging that it would make simple picket-line violence a federal crime with stiff penalties. Labor officials point out that such violence is often provoked by company provocateurs. Under a 1973 Supreme Court decision, *U.S. vs. Emmons*, "legitimate labor activity" is specifically excluded from coverage of the federal extortion law, the Hobbs Act.

EIR has learned that two antilabor organizations, the Washington-based Heritage Foundation and the Associated Builders and Contractors (ABC), the open-shop contractors group, are behind the push to reform the Hobbs Act. They are working through Robert Hunter, Senator Hatch's labor aide, who heads the Heritage Foundation task force on the Labor Department and labor policy.

"We want to use the Hobbs Act reform to break the power of organized labor," said John Reed, an ABC official

who served with Hunter on the Heritage task force.

IPS networks predict chaos

Jeff Faux, codirector of the Exploratory Project for Economic Alternatives, a group set up by the Washington-based Institute for Policy Studies, told a reporter last week that some of his colleagues are members of Reagan transition teams.

He predicted a "period of indecision, followed by chaos"; "No one really knows what to do," he said. "So they will stumble along for several months. . . . Volcker, who does know what he is doing, will effectively determine economic policy."

Faux stated that the nation is already well on its way to becoming "Thatcherized"—i.e., suffering under the economic policies the Thatcher government has imposed in the U.K. The Thatcherization of the U.S. started in 1978, according to Faux, and President Carter's appointment of Paul Volcker to head the Federal Reserve clinched the first phase of the process.

National Farmers Union demands action

At a Dec. 8 meeting in Des Moines, a grouping of National Farmers Union delegates called for action to combat high interest rates. The following statement was released by the group:

"The current high rates of interest are neither economically or morally justifiable. The concept of combating inflation with high interest rates has proved to be counterproductive; therefore, we urge the Federal Reserve to reverse its current credit policies.

"The practice of allowing lending institutions to write loans on floating interest rates removes a stabilizing influence on credit markets, small business, and other capital investors. We urge a return to fixed rate financing that encourages business expansion and full employment."

Briefly

● **SENATE** Permanent Investigations Subcommittee staffers are upset with the announced plans of the new chairman William Roth, Republican of Delaware, to "refocus" their work. Under Democrat Sam Nunn of Georgia, the subcommittee had engaged in what some people termed witchhunts against labor leaders. Senator Roth has cut the budget of the racketeering investigation in half and told people that he wants the committee out of the business of criminal investigations.

● **EX-MOONIE** Michael Young Warder has been appointed Director of administration for the Heritage Foundation, a nominally conservative think tank based in Washington, D.C. Prior to this Heritage appointment, Warder was the publisher of Reverend Sun Myung Moon's daily house organ *News World* and was a member of Moon's Unification Church.

● **GUS TYLER**, a vice-president of the International Ladies Garment Workers Union, told a private Florida seminar of the Fiscal Growth Policy Council that "high interest rates are the single most inflationary factor in our society. . . . They drive out small businesses. . . . They drain away funds which might otherwise be spent on research and development . . . and they leave the most efficient or capital intensive industries with idle overhead."

● **ASSOCIATED BUILDERS** and Contractors (ABC), the open shop contracting outfit, says that it still supports the Federal Reserve's tight-money policies. Their support dates back to a meeting last April, when the prime interest rate first hit 20 percent, between ABC leaders and Federal Reserve Chairman Paul Volcker. The Fed chairman, ABC sources report, shares the view of open-shop contractors that the Davis-Bacon Act should be repealed because it is "inflationary."