

Britain has received \$300 million in Eurodollar loans **per month** since the early spring, the Financial Times reports, while the London Times leaked word of a further \$1 billion Euroloan in the works. Every one admits that Britain has no hope of repaying the \$5.3 billion emergency loan — due this November — having spent \$2 billion of it already defending the pound.

West German banks arranged a package of loans for Denmark this week totalling \$330 million, but the country will need at least another \$480 million to cover the \$1 billion balance of payments deficit run up in the first half of this year. Denmark's total foreign debt has been placed by some West German sources at more than \$9 billion — an amazing sum for so small a country.

Excerpts from Japanese Press

Lockheed Scandal In Japan Exposed As Rockefeller Conspiracy

Aug. (NSIPS) —The excerpts below are translated from an article by Seichiro Tahara, which appeared in the July issue of Chuo Koron, Japan's most famous and widely read literary magazine.

The article, entitled "Kakuei Tanaka, Who Stepped on the American Tiger's Tail," is an exposé of the real story behind the Lockheed scandal in Japan which has now resulted in the jailing of former Prime Minister Tanaka on charges of having illegally received payments from the Lockheed Corporation. Mr. Tahara presents a convincing expose of the role of the Rockefeller financial interests in setting up and forcing both the resignation of Tanaka from the premiership in November, 1974 (on similar 'corruption' charges) and his political destruction resulting from the Lockheed scandal. Tahara presents this as the Japanese spinoff of what was a "Phase 1-Phase 2" political battle in the U.S. between the Rockefeller interests and Western U.S. based corporations linked to the Mellon family (Gulf Oil, etc.) who were behind former President Nixon: Phase 1 was the "Watergate" affair itself and Phase 2 the wave of "corporate Watergate" scandals hitting the anti-New York corporations.

Tanaka's particular crime — and Nixon's as well — that brought on him the wrath of "emperor" Rockefeller, according to Tahara, was his efforts on behalf of Japanese industrialists to pursue a policy of "resource nationalism" for Japan. This included his organizing a de facto economic alliance between Japan, Western Europe, the Soviet Union, and the developing countries to free Japan from the clutches of the Rockefeller multitis — particularly the oil majors.

The Chuo Koron expose is actually on one of many such articles now breaking our in the Japanese media, including an equally explosive two part series in the June and July issues of Bungei Shunju, the leading Japanese monthly. The Bungei articles — still in translation for NSIPS — hit directly at the Rockefeller conspiracy in its attempt to set up a supra-national dictatorship, covering some of the same ground as Tahara's article and more. Together these articles are the leading edge of the counterattack of the "resources faction" of the zaibatsu — Japan's big business conglomerates — against the Rockefeller organized insurrection to destroy Japan's constitutional government. The inside man for the Rockefeller interests in Japanese political circles is the present Deputy Prime Minister Takeo Fukuda, whose drive for the premiership was blocked by Tanaka and his faction (Fukuda is at least implicitly attacked for his role in the Rockefeller conspiracy in these articles.).

Italy's massive \$17 billion debt will be "consolidated," New York bankers told inquirers this week. Italian Prime Minister Giulio Andreotti called for an extension of the \$2 billion gold-backed loan from West Germany — due the first week of September — rather than attempt to enforce the brutal austerity necessary to repay the debt.

The French government has also applied for a \$500 million Eurodollar loan on top of the \$3 billion borrowed on the Euro-markets since last September to prevent the French franc from going through the floor.

Behind the massive bail-outs, leading Atlanticists concede, is the bankers' fearful recognition that full-scale austerity programs cannot be put into effect until after the U.S.-West German elections and Carter-imposed fascization.

The attacks on Rockefeller — and Fukuda — come not a moment too soon. Japan's current pro-development government of Premier Takeo Miki is hanging on a thread. Fukuda is leading an effort to force Miki's resignation, a move which would allow the Rockefeller man to take over the leadership of the ruling Liberal Democratic Party and the premiership.

The Atlanticist game plan, already in motion following the Tanaka arrest, is to take aim at the present Secretary General of the LDP, Yasuhiro Nakasone, Miki's remaining major party ally. Nakasone along with other members presently of the Miki cabinet is being accused, mostly in the press, of having links to the Lockheed scandal. Such charges are designed to force Miki's own resignation, making him "take the rap" for 'corruption' in his government. With the LDP facing general elections which must be called before the end of the year, Miki himself has cut off his options by definitively associating his political career with the outcome of the investigation of the Lockheed affair.

The publication of these articles and their shock effects in Japan and internationally may well alter the political calculations of the Atlanticists and their Japanese allies.

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Kakuei Tanaka, Who Stepped On The American Tiger's Tail

By Soichiro Tahara

Did Kakuei Tanaka, while posing as a standard bearer for the Kissinger doctrine, while actually pushing in a major way a "resource diplomacy" to separate Japan from the U.S., incur the wrath of the Emperor of U.S. strategy for Japan?

Tahara explains that a friend of his, a long-standing employee of Maruboni Trading Co., one Mr. K., has discovered that the receipt and contract of Yoshio Kodama, arrested while serving as consultant to Lockheed in Japan, "are phoney." With all the media swarming around Maruboni and other companies involved in the Lockheed scandal, he asks, "Why, when I announced proof that the Kodama receipt is a fake, did they all turn away...refuse to investigate?"

That the Lockheed affair was a purely domestic American problem, in which Japan only got clipped by chance, in behind-the-scenes politics, is the widespread clamor, certainly; but in fact, something must have been fixed up in the process of transmitting the information. Even if the U.S. situation is cleared up, the breaking up of governments, the besmirching of corporations of many nations was by no means unintentional. The truth is that this was the dragging through the dirt of the Mellon-financial circles-centered Gulf Oil, Texaco, Lockheed, and others of the new Western interests power, who were pitted against the Eastern establishment as symbolized by the Rockefeller financial circles. The bloodying of Nixon, who rose to the presidency through his ties to this new interest group, was the first act. At present, "Act 2" is being performed. The work has been left to that standard-bearer of justice, the man called the best heart in America, Senator Frank Church (D-Idaho), Rockefeller's close retainer and favorite play lawyer.

Mr. K. said, "The country known as the U.S. is not of unified opinion, doesn't act on the basis of monolithic programs. The cause of the (Lockheed) incident and opinions about how to use that incident are completely distinct. Furthermore, the various opinions don't suddenly become the same. For example, the Mellons' Gulf Oil is heavily treading on the flowers of Rockefeller's Exxon and Mobil; Japan and the nations of Europe, if they bring independent development of oil, will surely fall into the same battle."

According to Mr. K., the standard bearer of justice, Sen. Frank Church, just before the opening of the Lockheed affair, said in an interview with an Idaho journalist in his home district, "Japan, included among the countries whose companies are involved, should realize that this kind of violation has the danger of hurting America's natural interests. Since under the Nuclear Non-proliferation Pact, Japan will be shoved under America's nuclear umbrella, it must remove itself from such dangerous affairs." Simultaneously, as Church was speaking so strongly, since U.S.-Chinese diplomatic avenues were widening, and Japan's role in Asia changing, Secretary of State Kissinger spoke of the preservation of the order of the alliance, and stated that Japan should rejoin it, turning back from its policy of setting up a separate foreign policy from the U.S.

Furthermore, among Japanese politicians, Kakuei Tanaka, the man Kissinger, Church, etc. watch the most vigilantly, and his resources strategy called "an anti-semitic act" by Kissinger; Senator Church's sponsor, Rockefeller, while Tanaka was Prime Minister, said that he had evidence that Tanaka's money was accumulated secretly. Lockheed, starting off as an internal American debacle, was used twice as a

strategy in Japan. My friend believes that Kodama's forged receipts were both used within the U.S. and that Kodama and the "high officials" who run him as their cat's paw put the receipts to doubly heavy use.

Clearly, Kakuei Tanaka, Yasuhiro Nakasone, etc., that is, the "independent faction," are fighting in the Lockheed affair; the "nationalist faction's" Kodama, and are against ratification of the Nuclear Nonproliferation Treaty.

From the U.S. standpoint, the Lockheed affair was the "second Act" following Watergate and the demise of President Nixon; seen from Japan, did it follow the Tanaka affair?

(Tahara decides to try to follow back the route of the "flow of information" mentioned earlier in connection with Kodama's forged papers. First he does a comparative study of the speeches of Rockefeller, Kissinger, and Church, but finds nothing there per se but the "thorough connection of the three men.")

"And then, since the information route passes completely through one person, I was unfortunately forced to postpone investigation. That person was the Nihon Keizai Shinbun journalist, Yasuo Takamatsu, who on February 25 died suddenly with an attack of heart disease. He knew Lockheed V.P. Kochian, and for many years had been following the various secrets of Lockheed's political payoffs. His friends feel a black mystery surrounds his unexpected death.

"I then visited a friend in the Ministry of International Trade and Industry who years before had worked in a nuclear energy power company. A year before, he had told me that from uranium development to enrichment to the building of the nuclear-powered ship Mutsu, Japan's nuclear power industry had had many obstacles put in its path by the U.S., which thirty years after the war had not changed its occupation policy.

"...Later, Mr. K. from Marubeni telephoned me, saying "The material for the Bungei Shuju article 'Research on Tanaka's Goldvein' was in English, according to a reporter named Hironaka. Do you want to meet him?"

"...But I was never contacted by Mr. Hironaka.

"Meanwhile, a TV journalist friend of mine who knew of my admiration for Kakuei Tanaka offered to introduce me to Dietman Watanabe of the Tanaka faction, who had said "It was the U.S. that toppled Tanaka, it was done at a dinner at the Foreign Press Club." First, I decided to tabulate the trips which constituted Tanaka's resource diplomacy: 1972: August 31 — Hawaii Nixon summit; September 25 — Mao and Chou in Peking; 1973: July 29—Nixon in Washington; September 29—Pompidou in Paris, Heath in UK, Brandt in BRD; October 10—Brezhnev, Kosygin in Moscow.

"In January 1974, he also travelled around Southeast Asia; in September he went to Mexico, Brazil, Canada; in October to Australia, New Zealand, and Burma, his last trip as Prime Minister. . . . Seven men who met with Kakuei Tanaka, within two years, either died or were deposed. This is no coincidence. Without touching on Nixon, Chou and Tanaka, just from reading the newspapers, (the late French President Georges) Pompidou was saying, "We don't need U.S. participation in the future of Europe"; West Germany and England as well were also moving closer to the Arabs and Soviet Union and stirring up a vicious reaction from the U.S. In the demise of Australian Prime Minister Whitlam, who was going for the right to develop uranium resources, the hand of U.S. multinationals and the CIA was seen by many. . . .

Consider the America-China situation. From the first, as far as Japan's own foreign policy, the U.S. treated Japan with contempt. The U.S.-Japan route was, after all, just a sideroad in Asia. The main road was of course U.S.-China. Japan was just a vassal state. Well, Tanaka didn't like that. Japan was an independent country from America, and for that, nothing was

more necessary than securing resources, or else Japan would have to forever play up to the U.S. and this incurred the wrath of the American Emperor. Rockefeller toppled Tanaka, in his rage, according to rumors having reached by ears. All the other ordinary factions, without even understanding why, got together to help pull him down. They are of low character."

"South Korea, aside from the U.S. role, was next responsible for toppling Tanaka. It feared that after Taiwan, the Tanaka government would next throw away South Korea. The KCIA put out the original material for the Bungei Shunju article, 'Research on Tanaka's Goldvein,' I believe."

Repressing Uranium Development Is the Aim of the Pawns

Clearly, Tanaka had stepped on a tiger's tail. But where, how, and what kind of step? I re-examined his resource diplomacy.

Tanaka went to France, England, West Germany, and the Soviet Union on his first resource diplomatic trip in September 1973. Since his reelection in November 1972, Nixon was beginning to improve U.S.-Soviet and U.S.-Chinese relations, Vietnam peace, removing U.S. military from Vietnam, pushing his detente policy, desiring to celebrate the Bicentennial as the "U.S. President of peace." But on April 23, 1973, Kissinger proclaimed a new Atlantic Alliance doctrine. The Kissinger doctrine was that America would retighten its alliance with Europe, and have Japan participate in this. And, looking at the newspaper articles, Tanaka's European trip looks just like advertising and sales for the Kissinger doctrine. . . .

Always, acting out the complete opposite of the Nixon regime's signpost — detente diplomacy — Secretary of State Kissinger announced that to the Arabs, the U.S. might intervene militarily in the Middle East; in a series of strong statements, threatened to form a cartel of oil consumers, etc.; Kissinger, who saw detente diplomacy as a commodity for show really meant to pull the European allies and Japan into aggressive war against the Arabs. . . .

Looked at in this way, Tanaka was only making a show of waving the U.S. flag. . . .

(Tahara speaks with a journalist who used to be responsible for covering Tanaka):

"Sure, that's Tanaka's businessman's nature, listening to him and watching him are completely different. . . . He always went to his destination in cooperation with the "independent faction" in the Zakai (Japanese industrialists) . . . —the "resource faction." They don't want to blow it again. The first time they blew it . . . by letting the major oil companies tie up all the oil. If you intend to stand up in the world, more than anything else, resource independence is the pre-condition. Therefore, they don't want to allow the majors to eat up the next round, in particular uranium; the first move must win, thought Tanaka and his business colleagues."

. . . What kind of scenario did Tanaka and his business colleagues intend to write in Europe? And where did they place the U.S. in it?

Laying the Preparatory Strategy Towards the Soviets

. . . As the situation in the Middle East worsened, even if one only considers the immediate result of oil export boycotts to the U.S., separation from the U.S. was necessary, so Tanaka pursued an independent resource diplomacy.

. . . While pretending to wave the U.S. flag

. . . While posing as a standard bearer for the Kissinger doctrine, Tanaka may have actually pushed in a major way a resource diplomacy to separate Japan from the U.S. On the one hand, setting up the conditions in Europe, on the other, the solution to the Northern Islands (of Japan) problem with the Soviet Union and the cooperative development of Siberia. . . .

(Tahara documents at length the world fight over the development of uranium, noting that the U.S. never allows any country to go into independent uranium development projects

without U.S. participation. He gives a similar story on competition for the Middle East nuclear reactor market. Then, he resummaries Tanaka's Southeast Asian trip.)

When (then) Vice-Premier Miki went to Washington to explain Japan's independent Middle East policy, he got a cool reception; the Emperor's U.S. visit, and Nixon's visit to Japan were cancelled. Imagawa said, "the anti-Japanese riots in Indonesia were set up by the pro-U.S. wing of the Indonesian government, rumor has it." As for Watanabe (a member of the Tanaka faction in the Japanese Diet — ed.) he believes it was the CIA.

...What was Tanaka's real intention? "It's the North-South doctrine," said Watanabe. "From East-West to North-South was Tanaka's thesis. Since the war, Japanese premiers have been conducting foreign policy along East-West lines. East-West means dealing primarily with the U.S. and Europe and trying to find a balance with the two. Tanaka changed it into North-South: the independence of Asia, not under U.S. or European or Soviet presence, but just Asia." . . .

Kishi, of the True-American Lovers Faction

(Tahara tells how, while Minister of International Trade and Industry, Tanaka set up with Indonesian President Suharto and a Kiyoo Tanaka, the Japan-Indonesian Oil Co.)

This move into Indonesia, in and of itself, would appear exactly according to the stated wishes of John D. Rockefeller III, William Bundy, etc. It would seem at last that there was no need for anti-Japanese riots. . . .

Kishi (former Japanese Premier) was so much a leader of the America-lovers faction that he has been called "The U.S.A.'s Japanese Governor-General" . . . (Gendai Magazine, June, 1976 Tatsu Iwagawa). "His foreign policy was to the bitter end completely in accord (with that of the U.S.—Tahara) . . . Literally, "East-West policy." Tanaka's North-South doctrine was going to change all that. . . .

C. Fred Bergsten:

In March I Told the Japanese They Had 3 Months to Change Their Monetary Policy — And Now It's Been 6 Months

WASHINGTON, D.C., Aug. 6 (NSIPS) — Following is an Aug. 4 interview with Brookings Institution Economist C. Fred Bergsten on his view of Japanese Policy on yen-dollar exchange rates. The text of the interview has been obtained through courtesy of a New York City-based research organization.

Q: What did you think of the Wall Street Journal editorial? (The Aug. 3 Wall Street Journal criticized Bergsten for advocating a policy of pressuring the Japanese to raise the value of the yen and to lower their trade surplus).

Bergsten: (laughter) Well, that's just the Wall Streets Journal's fetish with fixed exchange rates. Look, our top people have to sit down with Japan's top people, including the Prime Minister, and explain to them the global picture. They're doing the same things that they did in 1971 which caused the crisis then (Aug. 1971 dollar devaluation-ed.) — they're overvaluing the yen, exporting unemployment, etc. And they should be informed of the inevitability of protectionist moves against them if this continues.

Q: I thought that the 1971 crisis was caused by the surplus of dollars going abroad that the rest of the world couldn't absorb?

Bergsten: No, that's not true; the world could absorb all the dollars we could send out. Look, I don't entirely blame the Japanese. After all, our guys were fooling around bullshitting with them about textiles instead of explaining the global picture to them. The problem they've got to understand is that they're exporting their problems. And violating the Rambouillet accord.

Q: So you would agree with the Business Week editorial (Aug. 9)

that the Japanese are "cheating" and that they "should be informed by the great trading nations that they are openly inviting trade war"?

Bergsten: That's exactly right. That's what we did in 1971, with the import surcharge and all. Nixon and Connally finally realized something had to be done. The Japanese should be informed of the inevitability of trade war if they don't change their policy. Of course, there are all kinds of steps that could be taken before then. For example, if the U.S. just sold a little bit of dollars, that would send the yen up. The U.S. Treasury claims that they've been hitting the Japanese over the head, but I haven't seen any results, well, a little bit of results with the yen now at 293, but not enough.

Q: Are there any Japanese who understand or agree with what you're saying?

Bergsten: I know they understand it. I talked to three officials of MITI (Ministry of Trade and Industry-ed.) who had accompanied (Prime Minister Takeo) Miki to Rambouillet — they're personal friends of mine. I explained the whole global picture to them. So I know they understand. I don't know if they agree. They said some things, and then I read in the papers that MITI asked the Ministry of Finance and the Bank of Japan to let the yen go to 290. But I don't know if it's true.

Q: What about (Economic Planning Agency head Takeo) Fukuda and (Finance Minister Masoyoshi) Ohira?

Bergsten: I really don't know if they agree. But I know that the Japanese understand it. I explained it to them. I was in Japan in March, I talked to people in the Ministry of Finance and Bank of Japan — all the key agencies. I told them they had about three months to change their policy, and now it's getting nearly six months.

Q: Two Japanese magazines, the Chuo Koron and Bungei Shunju, have claimed that the dumping of Prime Minister Tanaka in 1974 and the Lockheed scandal were instigated by Nelson Rockefeller personally and the Rockefeller family interests as part of a drive for what the magazines terms a "global super-state," based on control of energy resources. According to them, Tanaka was making deals with certain people in Europe for resource deals that would give Japan access to resources and oil not under control of the Rockefeller-associated companies.

Bergsten: You know, I've heard these stories for years about the Rockefellers out to take over the world. I have no great love for the Rockefellers, but I don't believe these stories.

Q: If exports are cut without domestic alternatives, they are in trouble. But any domestic stimulus will take time, so they need the exports as long as they can. I think this is why they are so resistant.

Bergsten: I agree with your analysis. They can't rely on exports so much. They have to stimulate domestic demand. There are standard ways: tax cuts, investment credits, etc. I really don't care how. I'm interested in the global picture, their international role.

Q: A high official at Treasury told me that the U.S. wants Japan to run an actual current account and trade deficit. The Japanese I talked to are pretty upset about that.

Bergsten: I don't know if I'd go that far, but they have to at least lower their overall payments surplus.

Q: Would this mean decreasing exports, or increasing imports?

Bergsten: A little of both.

Salomon Bros. on Japan's Rejection Of Plan to Use Yen as International Trading Currency

NEW YORK July 29 (NSIPS) — A Japan-watcher at Salomon Brothers commented today on Japan's rejection of proposals to use the yen as a buffer to the dollar by denominating international debt and trade credits in yen, a move sought by the New York banks.

"The prospects for the yen as an international currency, as a vehicle for trade, are finished. The Bank of Japan announced today that they oppose this because it would mean lowering Japanese interest rates to make yen-dominated trade credits competitive with much lower rates in New York in the international dollar market. The Bank of Japan is terrified of the tremendous inflation this would cause in Japan.

"The Japanese banks and the U.S. banks behind them are the ones pushing the idea, because of the bind the Japanese banks got into after the Herstatt collapse (the bankruptcy of a West German regional bank in 1974 which sent tremors through the international financial system—ed.), when they were charged a specially high 'Japan rate' on the Eurodollar market by U.S. and British banks. If your trade is more in yen, the banks reason, and the U.S. pressures them, you'll be less exposed, won't you?"

Wall St. Journal Attacks Atlanticist Monetary Policy

Aug. 6 (NSIPS) — Following are excerpts from an editorial in the Aug. 3 Wall Street Journal, titled "Those Naughty Japanese."

Some lesser Washington economist, whose name escapes us (the reference is to C. Fred Bergsten of the Brookings Institution, see accompanying interview — ed.), several weeks ago complained that the world economic recovery was being threatened by Japan. But it sounded like the same economist who four years ago warned that John Connally was about to cause the financial collapse of the West, who two years ago warned collapse would occur unless we recycled Arab petrodollars, and who last year warned that raw material

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cartels would form all over the place unless we built up commodity stockpiles.

The complaint against Japan is...it is intervening on the foreign-exchange market, buying dollars with yen. This...keeps the yen from appreciating against the dollar.

The reason this is so terrible is that if Japan wasn't buying dollars with yen, the dollar would depreciate against the yen. Japanese goods in terms of dollars would cost more, you see, and Americans would not be able to afford to buy as many of them. Americans, suddenly poorer, would have to switch to cheap American goods, and the U.S. economy would improve. The way to improve your economy, then, is arrange to make your people poorer. The way to damage your economy is to make your people richer. Right?

This fascinating theory isn't new. It has been followed assiduously by the British for generations and is periodically embraced in intellectual circles of the Eastern United States....

In aiming to stabilize the yen against the dollar, (Japan is) doing the United States a favor by mopping up surplus dollars with yen, thereby holding down price inflation in the United States....The time for Japan to let the yen appreciate is when it feels the Federal Reserve and the Bundesbank are becoming irresponsible in their rate of monetary expansion.

How many times does Britain have to sink the pound and Italy the lira before the bitter-enders concede that devaluations do not bring prosperity, only price inflation? Japan should be left alone, to fix or float against the dollar according to its own calculations....

NEW SOLIDARITY INTERNATIONAL PRESS SERVICE

Domestic Markets Newsletter



Burns' Capital Spending Hoax

by John Furlan

Aug. 7 (NSIPS) — With the jump in the government's July unemployment rate to 7.8 per cent serving as the official death certificate for the U.S. "recovery," Wall Street and its Washington economic representative, Federal Reserve Chairman Arthur Burns, are now peddling their most incredible lie to date. In recent testimony before the House Banking and Joint Economic Committees, chaired by Fabian Rep. Henry Reuss (D-Wis) and Sen. Hubert Humphrey (D-Minn), Burns insisted that the "recovery" would resume following its recent "pause" on the basis of a pickup in business spending for plant and equipment. Wall Street harbors the insane delusion that through such lying gibberish and monetary gymnastics, it will be able to "somehow" hold the economy together until its grinning stooge, Jimmy Carter, is in a position to impose top-down controls on the inflationary bubble.

The spectacle of Burns, an out-and-out Schachtian monetarist preaching on the merits of "capital spending" is obscene. As a professed Keynesian, Burns is totally committed to the barbaric zero-growth anti-technology doctrine of Pason Malthus (as Keynes admittedly was). His economic policies over the past six years have totally eradicated the possibility of a "normal capitalist recovery" based on a cyclical improvement in capital spending; but that is essentially the picture he is trying to sell the public.

Burns' combined policies of hyperinflation and austerity have resulted in the following situation. As anyone in the market for a new home knows, long-term interest rates — i.e. the rates on investments which would finance capital-spending projects in the U.S., are at their historic high, having receded very little from their 1974 levels. At these levels, no significant investment in plant and equipment can occur. Any significant increase in short-term rates, such as the rise this spring in the Federal funds rate (the rate on interbank deposits), automatically sends long-term rates shooting up even higher. Although money market economists protest that such short-term fluctuations should not

be reflected in almost simultaneous motion in long-term rates, and that long-term rates are too high in relation to demand for funds, there is a simple reason why long-term rates are where they are, and why they are so "sensitive."

Burns' inflationary expansion of the money supply domestically, and primarily through the creation and feeding of the Eurodollar market in order to turn over the growing mass of speculative debt, has meant that long-term interest rates, especially, must increase to offset inflation's discounting of longer-term credit. Under existing commitments to maintain current debt-service, nothing short of a rapid deceleration of the monetary inflation — at the expense of an immediate collapse of production — could bring about a drop in long-term rates.

In other words, short of a debt moratorium, there can be no real capital spending pickup in the U.S.

Why Produce?

The other side of Burns' policy, austerity, is collapsing whatever available markets existed for production and removing any incentive whatsoever for industrialists to expand or modernize their equipment.

Although a number of the largest corporations have raised a significant amount of long-term funds through bonds and stocks during the past year, this was done simply to retire their short-term bank debt, much like a household would try to consolidate its burgeoning short-term obligations through one longer-term loan. Rather than going into productive equipment, the bulk of long-term funds on the credit markets has been gobbled up by the burgeoning government debt. Just this week, an incredible \$25 billion in foot-loose money was bid for 10-year Treasury bonds, which, appropriately enough, are referred to as "Simon's magic eights," "eights" after the exorbitant interest rates offered by Treasury Secretary William Simon to his former Wall St. colleagues, and "magic" after the dominant world-view on Wall Street.

Spending on equipment is higher than new plant expenditures — e.g., non-residential private construction fell 3.2 per cent in