right forces, and big capital against the Portuguese revolution and its development. A definite split arose within the ranks of the Socialist International in this connection, reflecting the heterogeneity of that alliance and of the paries that comprise it. . . .

The program (of the SPD - ed.), passed at the Mannheim congress last fall, says that "under the cover of the principles of democracy and freedom, enormous economic and also political power is being concentrated in the hands of a few. . . ." What then is the way out? That "private ownership of the means of production and market competition are still inevitable"!

Such — mildly speaking — equivocation leads to the fact that workers who follow the Social Democrats end up disoriented, off the track. Where are they being called upon to go? How are they to get there. . . ?

The SPD's lack of clear orientation on the burning questions of the economic situation and domestic policy could only play into the hands of the CDU-CSU, leading to the decrease in votes for the Social Democrats in the elections. . . .

Even the most prejudiced organs of the Western press, those most hostile to the results of the all-European Conference on Security and Cooperation, have not been able to ignore the first anniversary of the historic meeting in Helsinki.

But although public figures as well as various famous state leaders marked this date with statements reviewing the first results and speaking of the perspectives for the near future, the enemies of detente have tried to poison the atmosphere any way they can.

Thus, for example, the editor of the West German paper Die Zeit, Theo Sommer, claiming the role of an oracle, came out along these lines in an interview in the American magazine Newsweek. Out of the pages of the article there peered the sour, cheerless physiognomy of the journalist. He dumbfounds the reader with assertions such as: "The USSR is organizing a plot for socialist transformation of Western Europe. . . ."

We mention this article only because it is typical of the antics of such "critics" of the process of detente. First of all, as Comrade L. I. Brezhnev said at the Berlin Conference (of European communist and workers' parties -ed.), they are trying to attribute "responsibility" for domestic political events in other states to the socialist countries. Secondly, they would like, as was said at the tribune of that same conference, to frighten the man in the street with "hordes of Russian tanks," to impress upon them that supposedly Western Europe is threatened by danger from the East, from the USSR and the other Warsaw Pact countries. . . .

We and the other socialist countries counter this grist for the mill of the enemies of detente with a steady, principled struggle for clear realization of all the principles and proposals of the Final Act of the all-European conference. Sometimes in the West in this connection one hears complaints from people who support the goals of the conference, who allege after its conclusion that no "striking changes" have occurred. . . . But we never said that the situation in Europe would miraculously change over night as a result of this meeting. The principles agreed upon at Helsinki are the program for a whole historical period. And to realize it has demanded and will continue to demand great efforts by all its participants!

Our country is ready to cooperate in practice not only for the political, but — no less important — for the economic improvement of the situation on the continent. Following what was said at the XXV Congress of the CPSU, the Soviet delegation at last spring's session of the UN European Economic Commission in Geneva proposed to include on the agenda a point on all-European congresses or inter-state conferences on questions of cooperation in the areas of environmental protection, the development of transport and energy. All of these are **questions of great importance for Western Europe. The situation there is that the region's dependence on imported fuel is now 63 per cent, and in the future will be even larger. The countries of the CMEA (Council for Mutual Economic Assistance - ed.) can and do propose to Western Europe cooperation projects on a mutually beneficial and equal basis, which can help to solve many of Western Europe's most severe economic problems.** (Emphasis added - ed.)

There are many such examples of the possibility of developing fruitful cooperation between states with differing social systems on the continent. The Soviet Union and the other socialist countries are **not proposing to pave the way to Western Europe for tanks and guns, but for oil and gas pipelines!** (Emphasis added - ed.)

As for armaments, including nuclear armaments, our country is demonstrating the most businesslike, practical approach to efforts to stop the arms race. Central Europe is the region in the world most saturated with weapons — and the entire continent will benefit tangibly from motion forward, towards disarmament.

A Europe of progress and peace must not be a utopia, not a dream, but a reality, achieved by the efforts of all to whom the peaceful future of the planet is precious.

U.S. Opposition To Hyperinflation Grows

Oct. 23 (NSIPS) |— Conservative financial circles in the U.S., exemplified by First National Bank of Chicago, Pittsburgh National Bank, and their spokesmen at the Journal of Commerce and the Wall Street Journal, are now directly attacking the New York banks' insane policy of bailing out the bankrupt international monetary system through hyperinflation.

On Oct. 18 the Journal of Commerce editorially opposed the proposed bailout of crisis-ridden developed countries such as Britain and Italy through the International Monetary Fund's General Agreement to Borrow and other loan facilities, and denounced the so-called stabilization of the monetary system through austerity as completely unworkable. "Adjustment of the monetary system would seem much more urgent than further tinkering with the British economy, the Italian economy or the (West) German economy. It is the nature of democratic governments that they can only have limited success in bringing their economies to 'equilibrium' with those of their neighbors. It is quixotic to base a monetary system on virtues that don't exist and won't exist."

The Wall Street Journal followed up its Oct. 15 attack on the inflationary economics of Carter advisor Lawrence Klein this week by knocking French Prime Minister Barre's austerity program for not doing anything to restrain money printing and |— tongue in cheek |— the Journal supported workers for striking against the program.

On Oct. 15, the Journal had argued that in all but the shortest run, Klein's proposal to lower interest rates and ignore money supply growth would lead to tremendous inflation and a surge in interest rates.

The U.S. bond market is reflecting the same thinking. In anticipation of a Carter victory and the resurgence of inflation, bond prices were slashed this week, as investors became wary of locking up their money in medium and long-term investments, when yields would be shooting up in response to a new outbreak of inflation.

The Journal's attack on Klein was motivated by discussions with First National Bank of Chicago. Eugene Birnbaum, chief economist there, recently reiterated his support for fixed exchange rates and a gradual return to a gold-based monetary system in testimony before the House Banking Committee. Birnbaum, like the rest of the fixed-rate, anti-inflation crowd in Chicago, fantastically believes that the solution to the current problems of the monetary system is the coordination of rates of money supply increase among countries!

At the same time there is more widespread opposition to the hyperinflation policy from business and financial people outside the money centers. A source at the Kansas Federal Reserve Bank revealed that there was likely to be a fight over inflation at the Oct. 19 meeting of the Federal Reserve Open Market Committee, with a number of the regional Fed people opposing New York. The regional interest groups are increasingly realizing that when Arthur Burns talks about easing money to get the U.S. economy going, he is really talking about printing money to paper over the international financial crisis.

Europe:

Production Figures Show Do-Or-Die Crisis

Oct. 18 (NSIPS)—The official trade figures released for Western Europe for the months of August and September tell the story behind Europe's resistance to the most recent demands of their Atlanticist partner.

After two to three months of ominous stagnation, Western Europe's industrial production plummeted in both months running; in Britain, industrial output dropped 3 per cent. Auto and other consumer goods production, whose plus statistics supplied the evidence for the early 1976 upswing myth, fell, while the drop in the capital goods accelerated to 5 per cent in even the West German machine sector. As West Germany's trade surplus slipped by two-thirds, France, Britain, Italy, and the rest of Europe registered trade deficits at a rate of 25 to 50 per cent a month.

Beyond the August-September conjuncture, Wall Street now demands a projected more than **$20 billion** in austerity consumption cuts in Europe for the rest of the year, half of which has already been implemented in October.

It is widely recognized in Europe that the August-September downturn is no mere statistical blip but an historic conjuncture. Since 1971, real investment has been falling at an annual rate of 20 per cent. Added to this is the fact that the volume of trade adjusted for inflation has ever 1975-76 actually fallen.

Furthermore, the downturn of all indicators of trade, production, and investment has been logarithmically advanced by the round of devaluations, foreign exchange controls ,and other austerity measures already taken in Western Europe in a futile attempt to stabilize a non-existent dollar monetary system after the "lira crisis" of January 1976.

Coinciding with this was the first recorded real downturn in European exports to the Third World, which since the 1973 Oil Hoax had been growing at decreasing annual rates. The new public debt crisis of the Euromarket banks has virtually shut off both long-term loans for capital equipment and a large percentage of the short term trade credits on which the Third World subsists.

Between European austerity measures and Third World credit strangulation alone, 65 per cent of Europe's trade has been fatally hit, multiplying the linear effects of mere isolated domestic austerity programs.

What is actually desperately needed at this point in time if Europe is to survive as an industrialized economy, is a crash program of investment in high-technology plant and equipment and large scale credits for trade, for both Europe and the Third World. The August-September downturn has already betrayed fatal underlying weakness of the productive network; only such a program can insure break-even levels of production and investments.

No wonder the Europeans are balking at Wall Street's proposed additional $20 billion austerity cuts. The monetary crisis, they rightly pronounce, is not their's but the Eurodollar market's and the dollar's.

Trade Contraction

The crucial margin on which the growth of European industry depends decisively is the margin of acceleration of trade within Europe and with the Third World. While this includes rising consumer goods and health, education and other public service consumption, the key is rising industrialization, particularly a rising level of technological development.

The averaged European Economic Community (EEC) nation, the top Nine, sends some 50 per cent of its exports to the rest of the EEC, and at least 15 to 25 per cent to the non-OPEC Third World: France, 51 per cent and 17 per cent; Italy, 42 per cent and 18 per cent. Exports to the OPEC countries and Comecon, despite the recent boom, remained below 10 per cent each, while average exports to the U.S. have fallen steeply from 10 per cent to 6 or 7 per cent.

By strangling industrial and technological investment, by prohibitive interest rates and downright refusal to lend, the Euromarket banks have since 1971 put overall production into zero growth, and industrial capital goods into logarithmic decline. The so-called recovery in overall production under government inflation programs during the last quarter of 1975 and the first quarter of 1976 was based entirely on sonsumer goods inventories and credit sales.

Whatever spending took place resulted in massive government deficits and consumer debt which has made another such program impossible in terms of consumers' willingness to take on further debt alone. In West Germany and France, the governments instituted huge housing and public works programs which created jobs in construction industries and related fields but had no effect on productive jobs in heavy capital goods industry. Their budget deficits doubled. On the consumer front, France, Germany, and the Benelux and Scandinavian countries underwent an unprecedented auto and appliances spending boom, while the central banks force-fed liquidity to the banks for 15-25 per cent interest rate consumer loan programs. Bank loan business for production and capital investment was collapsing dangerously. Even the auto manufacturers, at the height of the boom knew it was temporary and absolutely refused to add one square foot of extra plant or equipment.

The entire consumer production boom from the last quarter of 1975 through the first quarter of 1976 did not even bring overall production up to 1973 levels. The overall figures began flattening out in May.