

have to continue to ask yourself the question. But when people reach a state where they covet land and minerals and they arm themselves in a way that they can attack these areas, it doesn't follow — based on any historical perspective that we have — that people will not take advantage of that position, if they are allowed to do so. I certainly don't want to sound like a hawk, but I can add, and I can see what apparently their long term intentions are. And it's hard for me to believe that the Soviets are building up this enormous power for defensive purposes.

'It Can't Happen Here'

A staffer for the National Security Council gave the following interview to the EIR June 23. As the interview indicates, the NSC has not determined a solution to the current U.S. liquidity problems.

EIR: What do you think about the statements of the Italian Central bankers on a gold-backed monetary system and the French press reports that Brezhnev will propose the transfer ruble to the French?

A: I'd be surprised, I'm amazed that the Germans and French would be considering this. Why would they do that? I'm surprised, what's in it for them? I've heard of the transferable ruble and every once in a while there are reports on it. But I would be surprised if the Europeans

would go to this extent to pursue trade. There are limits to Soviet trade. I can't see how they can expand this trade 300 percent. Reports on a uniform European currency based on gold are off the wall.

I have never heard of these deals in transfer ruble that you say have been negotiated. These transfer rubles are untouchable. What do you buy with it? I don't believe it. Such a revolutionary undertaking by the Europeans flies in the face of everything.

EIR: Well, the Europeans clearly do not want to go down with the dollar and the New York banks. Did you know that Senator Javits revealed the bankruptcy of the New York banks last week in the Senate?

A: It's not true just because Javits said it. The problem is not just a result of the underdeveloped nations not having money. Some are creditworthy. Some of the developed countries like Italy and the United Kingdom have problems. But if countries like Brazil and Mexico did not pay their debts they wouldn't get more money.

EIR: What do you think about the reports that the Saudis will not bail out the New York banks, and that the Europeans, especially those two countries you mentioned, are setting up a new monetary system based on expanding trade and industry and relations with the east, and are not standing by the old monetary system?

A: You are a lot more pessimistic than I am. The whole thing is preposterous.

Congressmen Warn Carter Against IMF Bailout

The Carter Administration received its first warnings from Congress this week that the Administration's commitment to bail out the failing International Monetary Fund will not be met without a fight. Since Sen. Jacob Javits (R-N.Y.) sounded the alarm last week, the question of whether the Congress will support such a bailout is no longer being ignored on Capital Hill.

The first public signal came on June 21, when the *New York Times* ran a letter signed by three conservative Congressmen which condemned the Administration's mouthpiece, the *Times*, for hyperinflationary bail-out orders to West Germany and Japan, and called instead for "the free flow of capital to deficit nations" to solve the international balance-of-payments problems. In a more visible warning to Carter, the full House overwhelmingly passed a foreign aid bill which in Carter's own words "severely restricts" his ability to "promote American interests (read New York banks) around the world."

Meanwhile Carter was busy sending messages to House Speaker Tip O'Neill warning him of the danger of resistance to his bail-out plans. In a letter delivered to O'Neill, reported by the *Washington Post*, Carter "urged the House to resist cutting contributions to international banks, and not to restrict the aid which he said could jeopardize U.S. participation in the lending programs." The House response was not only a "badly battered" bill cutting Carter's foreign aid appropriations by nearly \$1 billion, but an amendment offered by Rep. C.W. Young (R-Fla.) restricting aid to Cambodia, Laos, Vietnam,

Cuba, Mozambique and Angola. While the Young amendment, which passed by a 295-115 vote, reflects confusion amongst Carter opponents regarding aid to "communist-dominated" countries, the hysterical reaction from the Administration and its press reveal the worry that the Congress will take this initiative into other areas.

The *Washington Post* responded to the Young amendment with an editorial entitled "Breaking the Banks," calling the vote a "nasty piece of mischief that ought to be undone." The *Post* cried that "No donor...should lightly savage the imperfect but vital international institutions set up to transcend individual nation's limitation." It went on to blame Carter for creating this situation with his precedent-setting endorsement of the earlier Reuss amendment "instructing the U.S. government to use its voice and vote in the banks to advocate human rights."

The Administration's real worry, echoed in both the *Post* and a *New York Times* editorial, is that "liberals" in the Democratic Party joined the core conservative Republicans in the foreign aid votes. The *Post* warns that "Mr. Carter does not yet have his international act together. He doesn't have all that much time."

Their cause for alarm is deepening. Copies of the U.S. Labor Party's 16-page "Special Report on the Illiquidity of the New York Banks" and "The Solution to Jake Javits' Fears" are currently circulating in both houses of the legislature, and are being analyzed by economics staffers in several House offices.

How Not To Spur Global Development

Appearing on the editorial page of the New York Times June 21 under the above headline was the following Congressional attack on the Trilateral Commission's monetary policy.

To the Editor:

The policy of rapid expansion of the German and Japanese economies to solve worldwide balance-of-payments troubles, which you recommend in your editorial of June 1, "The Virtue in Trade Deficits," fails to meet the test of practicality.

The Governments of Germany and Japan know far better than anyone else just how far they can go in expanding their economies before they run into socially and economically unacceptable inflation, with its attendant risk of recession and unemployment...

... The implication of your recommendation that Japan and Germany continue with floating exchange rates and eliminate or reverse their current account surpluses is that they ought to eliminate or reverse their capital account deficits — that they should stop lending and start borrowing! Such a

policy might aid those third-world nations which would furnish exports to Germany and Japan. However, it would injure those which are deepest in debt and need to restructure or renegotiate their loans. These countries do not want to see an end to German and Japanese lending. Still less do they want to compete with German and Japanese borrowing.

Recent economic experience has taught us that general economic expansion is not the only way to handle a trade surplus. The reduction of tariffs and quotas on imports, and the free flow of capital to deficit nations, would do more to spur worldwide economic development. Inflation in Germany and Japan would simply lead to a future recession, and severe damage to world development.

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USLP Demolishes Kennedy, S-1 At Senate Hearings

WASHINGTON, D.C., June 21 — Sen. Edward Kennedy (D-Mass) today tried to defend his notorious Criminal Code Reform Act (S. 1437) in the face of U.S. Labor Party testimony which established the fundamentally unconstitutional and anti-republican nature of the legislation.

Testifying before the Subcommittee on Criminal Laws of the Senate Judiciary Committee, Labor Party representative Susan Kokinda charged that the Criminal Code Reform Act embodies a "social contract" or "Animal Farm" notion of society in which the government must impose "order" upon the anarchistic behavior of individuals. This stands in complete opposition to our constitutionally grounded notion of a republic, Kokinda said, which defines a national interest as continuing scientific progress and industrial growth, and seeks to mobilize the wilful impulses of the population in accordance with that national interest. "A crime," she said, "can then be defined in the context of that which transgresses the national interest — such as that of the use of marijuana which impairs the higher order functions of the human mind."

Challenged on the fundamental world outlook of his legislation, rather than whether this or that section was repressive enough, Kennedy tried to argue his case. He defended decriminalization of marijuana on the grounds that alcohol is much more dangerous than pot, but still

legal. While the Senator appeared to be speaking from profound self-experience, his argument was demolished with the scientific evidence on marijuana's harmful effects. He then tried to defend his "social contract" notions by claiming that outbreaks of anarchy in U.S. history, such as the Shay's Rebellion in the early days of the Republic, were justified. The Senator was reminded by Kokinda that the Founding Fathers answered the problem of the Shay's Rebellion not by drafting an Orwellian criminal code, but by carrying out a massive political-economic educational program which resulted in the acceptance of the U.S. Constitution.

Pointing to the fruits of his family's work in the 1960s, Kennedy next attempted to argue that, while crime increased in that decade, the unemployment allegedly fell — and, hence, crime had no relationship to economic progress.

Kokinda finished her testimony, and finished off Kennedy, with the charge that Congress has abrogated its responsibilities by allowing the Carter energy program to survive in any form, and by failing to reestablish a concept of national interest based on Hamiltonian policies, "Instead, you are building yourselves a better Animal Farm through which to control the resulting breakdown of our Republic."

Kennedy had no further response.