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# **EXECUTIVE INTELLIGENCE REVIEW**

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**EXECUTIVE INTELLIGENCE REVIEW**

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# EXECUTIVE INTELLIGENCE REVIEW

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## IN THIS WEEK'S ISSUE —

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With a monetary **collapse imminent**... and every informed financial and political faction aware of that fact... the **Rockefellers** and **Rothschilds** are locked in a desperate **struggle** to grab control of Arab **petrodollars**... each faction determined to **save itself** at the other's expense. But the **Arabs** are **investing** in equity-for-**development** instead... Our **International Report** presents a full strategic analysis... warns that global economic **chaos** and likely general **war** lie ahead **unless** a Third Force emerges in the West to build a new international monetary system with Soviet and Arab cooperation.

\* \* \*

In an interview with **Moscow's Narodny Bank**... the USSR has reconfirmed its offer of the **transfer ruble** to facilitate three-way trade between the West, Third World nations, and the socialist bloc. The Soviets have linked their offer to a policy of **aggressive energy development**... in sharp contrast to the Carter Administration. See **International Report**...

\* \* \*

Carter's **cruise missile** and **B-1** decisions have touched off a furor in Washington... where dissatisfaction with the **Administration's** provocative **foreign policy zig-zags** is already at fever pitch. This week's **National Report** highlights the backlash... carries an analysis of "**the Mondale option**" by U.S. Labor Party Chairman **Lyndon H. LaRouche**,

Jr. Our exclusive **Washington Week** column takes you behind the scenes.

\* \* \*

Also featured in the **National Report**: Congressional "human rights" judo against **bank bailout** plans... the continuing Congressional battle over the **nuclear breeder reactor**... what's behind the proposals for an **intelligence czar**... and a report on the state of the "**Whig**" **opposition** to Carter and Rockefeller evidenced in the pro-breeder demonstration at **Seabrook**.

\* \* \*

**Special Cartergate Report**... the lowdown on this Administration's plumbers' unit, the **Federal Elections Commission**... its massive violations of LaRouche campaign workers' **human rights**... its controllers at the **Rockefellers' Twentieth Century Fund**... its origins in Kennedy-era **subversion** of the Constitution... plus a statement by **Rep. Phil Crane**... and a report on **Congressional reaction** to the FEC's latest outrages.

\* \* \*

Topic A on **Wall Street**: how to **seize union pension funds** to prop up the **bankrupt** New York banks. Our **Economics** report details the secret plans... Knocking off **savings institutions** so Chase and Citibank can grab their cash is part two of the operation...

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U.S. trade figures portend the end of American industrial superiority... see **Economics** for a complete analysis. The "remedy"... a "controlled devaluation" of the U.S. dollar... is already threatening to send the foreign exchange markets out of control... Our Gold column reports the economic cost of a new gold-backed monetary system... a bargain at \$300 an ounce!

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**Nelson Rockefeller's "New Look" Energy Policy**... a multi-billion dollar "Project Independence" swindle with a pro-growth cover. See **Energy** for annotated excerpts from the Commission on Critical Choices report by **Edward Teller**...

\* \* \*

A proposal to expand participation at the **Belgrade** European security conference to include Mediterranean nations... what the **Western press** is saying about the Soviet attacks on "Eurocommunist" **Carrillo**... the energy fight in **West Germany** and **France**... and the first official agreement between the Italian Communist Party and the Christian Democrats... see **Europe**.

\* \* \*

The insane provocations of the Carter Administration could touch off a new **Arab-Israeli war** at any moment. Our **Middle East** report details **Zbigniew Brzezinski's** efforts to revive the "Allon Plan" against the PLO... carries **Soviet and Palestinian dispatches** asserting the Carter Administration will be held responsible for Israeli threats... reviews the **factional developments** in **Egypt**, and **Syria**...

The **UN Security Council** has voted material support for **Mozambique**... to combat repeated invasions from the outlaw white supremacist regime in **Rhodesia**. See **Africa** for a report on the world's second most dangerous hotspot.

\* \* \*

Carter's **Korea policy** roasted at Asian policy conference... see **Asia** for excerpts from remarks by **Dr. K.W. Kim**... a close advisor to South Korean president **Pak Chung hee**.

\* \* \*

Colombian fascists call for an "ODEC" — Organization of Dope Exporting Countries — to take advantage of Jimmy Carter's **drug proliferation** policy for the USA. See **Latin America** for details. Plus excerpts from remarks by Venezuelan President **Carlos Andres Perez**... who turned Carter down flat on his oil grab and human rights pitches on his U.S. visit.

\* \* \*

Carter's handpicked list of **candidates** to replace **Clarence Kelley** as **FBI Director** is being widely touted as a conservative slate. Our **Law** report exposes their real background... an EIR exclusive.

\* \* \*

"The **Teamsters** think they have a deal with the **Justice Department**. They don't..." A spokesman for the union-busting organization **PROD** spills the details of a coordinated **Carter Administration-Institute for Policy Studies** offensive designed to throw the major **U.S. unions** into chaos. See our **Labor** column.

# New York Vs. London: Financiers Brawl Over Arab Dollars

Dramatic factional developments at the close of the second financial quarter of 1977 have brought the advanced sector of the world economy closer to total economic and commercial disruption with no significant indications, as of the present time, of any serious moves toward restoration of order. This need not have been the case given the Soviets' dramatic offer of the transfer ruble and the Arab Monetary Fund's indications of its readiness to infuse masses of hard cash into industrial equity on condition of technological transfers to the developing sector of the world economy.

Astute observers of the presently raging financial warfare between, primarily, the Rockefeller and Rothschild-centered monetarist factions have been fascinated by one, not insignificant, feature of these two groups' internecine warfare: the ironical role that a set of U.S. Labor Party financial and other proposals, including USLP Chairman LaRouche's private International Development Bank proposal, have played in shaping the factional postures of the two rival groups.

In summary: since the surprise result of the May 18 Israeli elections, it has become evident that the two principal monetarist groupings have decided to deal with their debt problem at each other's expense. A broad array of tactical moves has been employed by both sides designed to: 1) grab the accumulations of Saudi cash; and 2) deny access to Saudi money to the opponent faction.

The end result of these efforts at the conclusion of the second financial quarter is that Saudi money, the key strategic ingredient in the world debt situation, is further away from both monetarist factions' reach than it ever was. Secondly, a grassroots mood against any bailout schemes has taken hold of the U.S. Congress, thus adding the U.S. to the ranks of Japan and West Germany, who are virulently opposed to any inflationary bailout policies.

### *Saudis Buy Up Equity.*

As reported by knowledgeable financial circles, the Saudi authorities, in cooperation with other Gulf interests, are moving to utilize the newly formed Arab Monetary Fund for a major entry into the world capital markets for the purpose of large-scale industrial and other tangible-wealth equity purchases.

Among experts, the estimation is that the Saudis will invest the majority of their \$30 billion annual surplus this year in equities, against a standing total of \$14 billion total Arab investment in equity at present (by Bank of England estimates). The Saudis, in a major shift in policy, are running the operation directly through the Saudi Arabian Monetary Agency, rather than through intermediaries.

Exemplary of this strategic thrust is the Saudi purchase of several hundred millions of dollars worth of British Petroleum stock through London June 28. According to sources close to BP top management, the Arabs intended to gain access to the North Slope of Alaska and North Sea oil fields as a hedge with respect to their own petroleum reserves. Although there were no under-the-table agreements involved, BP management encouraged the Arab purchases as a "goodwill" endeavor for British-Arab relations. British Petroleum is 51 percent owned by the British government. Arab interest in the sale was so strong that the issue was oversubscribed six times, investment house sources said. Morgan Stanley, the lead underwriter in the New York side of the offering, was left high and dry by the Arabs, who took up such a large portion that New York's quota was reduced from one-quarter to one-fifth of the total \$900 million sale.

Several sources with good connections in the Persian Gulf add that the Arab Monetary Fund, now in the first phase of finding offices and staff in Abu Dhabi, will be used as a vehicle for developing Arab capital markets, underwriting, and equity purchases. There are strong indications that industrially-oriented circles in the British government and state-owned industries, including BP, are collaborating with the Arabs in this venture.

From the United States side, a number of channels have been activated to bring U.S. industry in touch with the Saudis on a venture-capital basis, some going back to the factional splits in the Ford Administration. A number of old personal connections to the Saudi royal family established by the William Simon Treasury, which supported the Saudis when Kissinger favored the Shah, are playing an important role in mediating these contacts. The people the Saudis are working with are predominantly conservative, anti-Carter U.S. businessmen and politicians in the Midwest and Southwest, and such Washington institutions as the American Enterprise Institute. A considerable portion of Arab equity investment will go into Sunbelt oil and oil-services industries, and real estate, according to British banking sources.

Most important, some of the oil-producing countries are planning equity investments in fusion power, the key future energy source. The Iran government is willing to purchase bonds the European Investment Bank will issue to finance Western Europe's fusion program, according to banking sources. But, more importantly, both the Shah and the Kuwaitis want a direct equity stake in corporations involved in nuclear fusion and fission efforts. They are currently discussing capital investments

with Framatome (France), Messerschmidt (West Germany), GEC (Britain), Westinghouse, General Electric, Babcock and Wilcox, and Ontario Hydro. If these negotiations come through, the OPEC investment in nuclear energy will represent a fundamental turn-about in Arab policy.

Not everyone is happy about these developments; the major New York banks who currently hold the largest share of Saudi deposits are extremely worried about the potential for such developments. Chase Manhattan believes that Arab investments in equity would severely reduce the deposit flow into the Eurocurrency market and place the over-leveraged market in danger. This, Chase says, would be sufficient to discourage the Saudis from attempting any such thing.

#### *No Bailout*

But all indications are that Chase has no control over events at this point. The last week's decisions shatter whatever remaining hopes the Rockefeller, City of London, or other financial groups might have had of getting hold of Saudi money. During the last week of June, both these groups' last, frivolous shred of hope for averting a worldwide collapse of their debt structures was a last-minute rescue operation with bailout money conduited through the International Monetary Fund. The IMF itself has no funds and is, hence, itself bankrupt. Therefore, Messers Vance, Blumenthal, Javits et al. launched a major drive both among the OECD countries and in the U.S. Congress for fund appropriations to the IMF and the World Bank. The effort has been a massive failure right up until the month-end Congressional recess.

In two related dramatic developments in Congress, conservative forces have succeeded in delaying any appropriations to the IMF-World Bank complex by inserting a so-called "human rights" clause which is designed to make it impossible for foreign lending institutions to supply bailout funds without violating their founding charter. Moreover, during a dramatic hearing yesterday at the House International Relations Committee's Subcommittee on International Trade, Representative Gilman (R-NY) for the first time brought up for sympathetic consideration the Third World's demand for debt moratorium. Official bailout money is almost as far away from Rockefeller's and Rothschild's reach as Saudi cash at this time.

#### *Danger of War*

There are, however, certain further important elements in the picture of the brawl between these two dominant monetarist factions whose implications ultimately spell out an ever-increasing danger of general war. There are strong indications, for instance, that the Rothschild grouping, or at least certain of its components among London's and New York's investment houses, is more than willing to push forward for a collapse of the international debt structures, on the premise that the Rockefellers' overexposure in this area will cause them to be completely wiped out of the picture, while their rivals expect to be able to absorb the shock and somehow resurface as sole survivors after the inevitable losses are taken. Such tendencies on their part are encouraged at

the present time by such historical circumstances as the Rothschilds' longstanding control of perhaps over 60 percent of the world traffic in gold, diamonds, etc. which also puts them in an advantageous leveraging position in such hot-spots as South Africa and Israel. Hence, the destabilization of the world balance implicit in such a scenario would be almost certainly accompanied by a dangerous flareup throughout Africa and the Middle East and, regardless of the perceived intentions of such a horror scenario, the Soviets would find themselves compelled to respond in depth to what they will rightly perceive as a direct threat to their strategic interests.

The Rothschild gold cartel is based on strong equity holdings and influence in the two leading South African mining groups, Anglo-American and Consolidated Gold Fields, and virtual domination of marketing. More than half the world's gold supply is gold to Mideast and Far East purchasers, mostly in the form of jewelry. The London gold pool, headed by N. M. Rothschilds and Sons in London, works through such organizations as the closely-allied Hong Kong and Shanghai Bank and its subsidiaries. Sharpes and Pixley and the British Bank of the Middle East, who have dominant role in marketing. Most gold sold in the Mideast passes through Italy, for manufacture into jewelry. The Florence and Arezzo jewelers draw heavy financing from another Rothschild ally, the \$6 billion Monte dei Paschi bank of Siena, which has its own sophisticated marketing operation in the Mideast and Far East. In event of a general Eurocurrency market catastrophe with no other institutional alternative available, the Rothschild bank and its allies would have virtual cartel control over the gold market.

What is known of the presently operating Rockefeller scenario is no less dangerous than that of their rivals. Since the Memorial Day Pocantico Hills deal, Nelson Rockefeller has been committed to a political posture of building a power combination with political and industry-based conservatives on the basis of certain traditional policy-commitments, such as nuclear power development, "fiscal conservatism," renewed military buildup and other such issues dear to the uncultivated conservative's heart. The ultimate intention of Nelson Rockefeller apparently has been to use a thus developed political clout for a strong-arming drive to get at the much sought-after Saudi money. For a variety of reasons, this scenario can no longer work and, as a result, the Rockefeller posture has been degenerating into a straightforward war provocation posture — as best represented by Senator Javits' current hideous provocations in the highly inflammable Middle East situation.

#### *LaRouche Proposal Key*

The question in this respect is: has Rockefeller reverted to a straight war provocation posture in the Middle East? Is he once again prepared to go for an all-out thermonuclear "chicken game" with the Soviets in the Middle East? That the deployments are building up toward that direction is beyond question. What remains to be seen is whether the Rockefellers will prove capable of reversing such a course and realize their potential for political survival embedded in Labor Party Chairman LaRouche's private IDB proposal.

It is ironical to point out in this connection, that Mr. Rockefeller's financial rivals from London have been sending out some very nasty signals to the effect that they are either prepared to or are presently involved in utilizing certain grossly misunderstood features of that proposal for the exclusive objective of judoing the Rockefellers out of the ring. In point of fact, some aspects of this insanity coming out of the City of London bear directly on the increasing war danger in both southern Africa and the Middle East.

In sum, the world at this time is hanging by a thread because the rival monetarist factions among New York and London forces are absorbed in an imbecilic struggle to wipe each other out. The lineup is generally along the following lines. In New York, the main weight of the

Lower Manhattan forces is still centered around the Rockefellers. Among the investment houses of the so-called "Our Crowd," the long-standing financial positions of the Rothschilds are maintaining their anti-Rockefeller discipline. In London, on the one side you have the combined weight of the merchant banks and their far-flung political intelligence networks broadly aligned around Rothschild, while the nationalized industry tends to represent a more rational policy strain as exemplified by the British Petroleum-Saudi deal.

Whether this latter group will emerge as a saner "Third Force" will depend on how they respond to the Soviets' generous offer to utilize the transfer ruble for restructuring the world monetary system.

## Moscow Narodny Bank Confirms Large Scale Transfer Ruble Operations

Sources at the Soviet-owned Moscow Narodny Bank in London last week confirmed that a Soviet policy decision has been made to push the Council for Mutual Economic Assistance (CMEA) transfer ruble for large-scale use in international trade.

Last week's issue of the Soviet Central Committee's *Ekonomicheskaya Gazeta* contained a review by a leading CMEA finances official, Yurii Konstantinov, of all the provisions the CMEA and its banks have made to facilitate international use of the transfer ruble (see EIR Vol. IV, No. 26). Now Moscow Narodny confirms that Konstantinov's piece was no mere perfunctory review, but a propaganda contribution to a concerted political effort.

Stateside sources familiar with the debate over transfer ruble financing report that the USSR has begun demanding Western firms accept partial payment in transfer rubles. The persistence from the Soviet side is so great that some experts who have pooh-pooed the CMEA currency in the past are having second thoughts. Chase Manhattan, report these sources, is making efforts to dissuade its customers from establishing transfer ruble accounts.

The interventionist turn in Soviet foreign economic policy is based on Moscow's assessment of the strength of the expanding economy of the socialist sector as well as of the likely collapse of the last pretences of a dollar monetary system under a trillion-dollar-plus debt overhand. It is accelerated by Moscow's increasing alarm that war will explode in the Middle East or elsewhere, unless a roadblock is thrown up in front of the Carter Administration.

The backbone of the Soviets' economic offensive is its nuclear energy policy, to which the CMEA Prime Ministers' session has just pledged "maximum" development.

The CMEA integrated nuclear development program, including new techniques in the USSR for mass production of nuclear plant machinery, will form a basis for nuclear cooperation deals overseas. Arrangements are in the works with Japan and, in the area of fast-breeder technology, France.

In a June 27 press conference, CMEA Secretary Nikolai Faddeev urged the European Economic Community to act on proposals for bloc-to-bloc organizational ties between the EEC and CMEA, cooperation which could provide formal channels for expanded trade financed in transfer rubles. Faddeev, like the CMEA summit communique, also urged speedy organization of pan-European conferences on energy, transport and the environment.

The CMEA nuclear plan is to be coordinated until 1990. Next year, an agreement will be signed which elaborates the division of labor within the bloc in this industry. According to the West German financial daily *Handelsblatt*, non-aligned Yugoslavia expects to join this program. Yugoslavia already has very close ties with the CMEA in a number of industries, but its first fission plant was contracted from Westinghouse. After Carter's imposition of new conditions which delayed this facility, a plant under construction in Krsko, *Handelsblatt* reports that "the atomic energy policy of President Carter, incomprehensible in the Yugoslav view, has driven Yugoslavia to change its plans for peaceful development of nuclear energy and seek long-term cooperation with the CMEA in the area of production and transfer of nuclear technology."

Yugoslavia, reported the paper, is ready "to free itself from the conditions set by the American administration" which would require Yugoslavia to have its uranium enriched only in the U.S.



## Moscow Narodny Bank: T-Ruble Offer Is 'Strong Message To IMF'

*A source at the Soviet-owned Moscow Narodny Bank in London gave the following interview on June 29 to a European correspondent of the EIR.*

**Q:** The (*Ekonomicheskaya Gazeta*, see *EIR* No. 26 —ed.) article of Yurii Konstantinov makes it clear that the CMEA has now taken its decisions and is moving forward rapidly, doesn't it?

**A:** Yes, but they have a problem. Still, I think that there are no takers in the West for the transfer ruble.

**Q:** But, our sources in the U.S. say the Soviets are already demanding that firms accept partial payment on individual deals in transfer rubles, and that Chase and others are trying to discourage their customers from accepting them. We hear that people have taken transfer rubles when they had to get a deal through.

**A:** Oh, then let me give you some more of that. There is a lot of pressure, a lot. So far, Finland had a hard currency

trade account with Poland and a bilateral one with Czechoslovakia. Now the Poles and the Czechs insist that the whole trade should be shifted to a transfer ruble account.

But there are two snags in the situation. Firstly, there is no secondary market for the transfer ruble, and IBEC (the CMEA's International Bank for Economic Cooperation — ed.) has just repeated forcefully that there would be no such secondary market.... And there is no indication of what you can buy with the transfer rubles.

My own view is that the CMEA, the Soviets, have launched a principled political move to insist, and validly so, that they have an alternative financial-monetary system. They are sending a strong message to the IMF, the BIS (Bank for International Settlements —ed.), and the banks, that they are serious, very serious. And their moves have much bearing on East-West trade and triangular trade deals with the Third World.

# FEC Demands Free Hand For 'Plumbers' Operation' Against LaRouche Campaign

On June 28 in Washington, D.C., Federal District Judge Aubrey Robinson denied a motion for a temporary restraining order by the U.S. Labor Party and the Committee to Elect LaRouche (CTEL) against the Federal Election Commission's Gestapo-like "investigation" of those organizations and their financial supporters. Judge Robinson responded favorably to a circular argument by FEC attorney Charles Steele that the U.S. Labor Party's insistence on its constitutional rights in the face of unannounced and harassing interrogations of LaRouche contributors by FEC investigators constituted a "broad assault" on the FEC's investigatory powers. Steele noted that the visits and an array of FEC thug-like and financial warfare tactics in six states against the U.S. Labor Party were undertaken because of possible "criminal activity" by the CTCL and the U.S. Labor Party.

Judge Robinson's decision in *Jones v. Unknown Agents of the FEC* gives the FEC carte blanche to continue its harassment and intimidation campaign until July 11 when arguments on summary judgement motions begin in the case by the FEC, CTCL, the U.S. Labor Party, and the Justice Department, which officially entered the case at the June 28 hearing. Judge Robinson noted that the FEC had not denied any of the abuses of constitutional

rights noted in the Labor Party complaint. The only question, said the judge, was whether or not the FEC has the legal mandate to conduct this type of investigation — comparing the FEC's tactics and activities in this case to those of the FBI.

Judge Robinson is thus in the ironic position of trying to decide whether the Federal Election Commission's mandate by the Congress extends to wholesale violations of constitutional rights. This in itself is a total judicial contradiction. Judge Robinson has also noted that he will not actually decide the issue, stipulating that the entire case should be "dealt with quickly" and "kicked upstairs" to the Court of Appeals.

While Judge Robinson, the Court of Appeals and probably the United States Supreme Court bide their time deciding whether present events are actually lawful, the FEC has issued subpoenas against 13 individuals and organizations involved with CTCL for alleged "illegal campaign contributions" — including the U.S. Labor Party and its chairman and Presidential candidate Lyndon H. LaRouche, Jr.

## *Enemies List*

Judge Robinson's decision coincides with reports from the intelligence community since December 1976 that

## LaRouche Charges Carter, FEC With Gross Violations Of Human Rights

*Through his New York campaign headquarters, Lyndon H. LaRouche, Jr., U.S. Labor Party Presidential candidate, issued the following statement June 28 on the conduct of the FEC and Department of Justice in the case of the Labor Party:*

Jimmy Carter's filthy campaign to use the FEC as the vehicle of dirty tricks and financial warfare operations against my party is a gross violation of human rights. Hypocrite Carter needs some widescale international treatment of outrage and censure at the hands of all forces who cherish world peace and human rights.

Today, in Washington, D.C. the FEC's attorney lied before a federal court. The FEC lied by claiming that they have evidence about so-called Labor Party criminal activity. There is no such evidence. One of the primary objectives of these lies and hypocrisies from Carter and his FEC is to attempt to

stop the formation of my private International Development Bank. These lies will only backfire on the lower Manhattan and London monetarists. All key forces in the world, who have their eyes upon every move by different political factions at the moment, will see through the FEC's lies that they are 'investigating' criminal evidences which they refuse to make public.

Such 'investigations' will be seen as nothing but deliberate harassment and containment of the only world political force with a competent solution in the works against international monetary collapse. Which faction is the FEC working for? The Rockefellers, Rothschilds, or both? I am initiating moves which will not only determine such questions, but will take care of those who do not come over to my side immediately. They will be treated as insane war provocateurs who would destroy the world in thermonuclear war.

Carter is using the FEC as his personal "plumbers unit" against all political opponents. The FEC operations are aimed at bringing criminal indictments against Carter's opponents through entrapment, black propaganda, and other now commonly acknowledged Justice Department political watergating "investigative techniques." Such operations are already directed against the anti-Carter Liberty Lobby.

If there were any doubt that the FEC is proceeding under its own powers, Rockefeller "right-wing" operative Rep. Larry McDonald (D-Ga) destroyed them. He followed the Robinson decision by entering into the June 29 Congressional Record ludicrous charges that the U.S. Labor Party and unnamed right-wing organizations are funded by the government of Libyan leader Colonel Muammar Qaddafi. McDonald called for the immediate convening of a full Congressional investigation.

Highest on the Carter enemies list due to the central role it has played to defeat Carter's no-energy program, the U.S. Labor Party is making substantial progress currently toward the establishment of a private International Development Bank under USLP Chairman LaRouche. LaRouche is currently organizing for the bank in Europe — an activity the FEC harassment is aimed to stop.

#### *Harassment, Not Investigation*

At present the U.S. Labor Party is participating in two court cases against the FEC. CTEL, LaRouche's principal campaign committee, applied for federal Presidential primary matching funds after meeting the defined requirements. For a numerically small political party, meeting the current FECA requirements meant raising \$5,000 in contributions in each of 20 states. After CTEL verified that it had met the requirement in October, its books were audited for an entire week by FEC investigators in early November and then its application was stalled until the Carter Administration took office.

In January the FEC sent its investigators into Massachusetts, Delaware and Wisconsin for unannounced interrogations of LaRouche contributors — threatening them with criminal indictments if they did not answer questions. One visit occurred at 7 a.m. Following this so-called "compliance check," the FEC denied LaRouche's request for matching funds despite the fact that the FEC staff had conditionally recommended such a grant following its November audit. Attorneys for LaRouche immediately petitioned for review in the D.C. Circuit Court of Appeals, *LaRouche v. FEC*, asking the court to review the entirety of the FEC's conduct in denying the funds and to grant CTEL its \$110,000.

Following the January harassment and the filing of a record for review for the Court of Appeals stating the dates and decisions of various FEC meetings on the CTEL request by FEC attorneys, a motion for extraordinary discovery was filed in *LaRouche v. FEC* by attorney Robert Liotta in order to ensure that the court had a full view of the Carter-directed harassment operations. That motion is still pending before the court, with the FEC yet to file an answer.

In March 1977 the Labor Party filed *Jones v. Unknown Agents of the FEC* a class action suit on behalf of all

LaRouche contributors covering the numerous civil rights violations which occurred in the January harassment visits. The suit seeks \$2,260,000 in damages for violations of First, Fourth, Fifth, Sixth and Fourteenth Amendment rights as well as violations of the Helsinki accords on human rights.

Just at the point the FEC was due to answer the *Jones* complaint exposing itself to a full round of legal discovery on June 13, the FEC initiated another round of visits to contributors in Michigan and Indiana. This time the FEC covered its tracks by alleging "possible violations" of the campaign financing law. The accumulated dossier for discovery in the *Jones* suit would expose the Carter Administration's participation in crimes which are far more serious than those at Watergate.

The dossier shows that since December the FEC, the FBI and the Institute for Policy Studies have directly coordinated an all-out attempt to bankrupt the U.S. Labor Party. Aside from the joint FEC-Justice Department "organized crime and political corruption investigative tactics," so described by a prominent New York attorney, the harassment includes direct contact by the FEC, and FBI, with U.S. Labor Party vendors in an attempt to dry up credit lines; arrests and lockouts from municipalities throughout the country; and physical assaults against campaign workers.

The recent FEC visits to contributors occurred in the context of an outpouring of complaints by the FEC delivered to CTEL, its contributors and vendors in April and May, charging possible violations of the campaign financing laws. Under the pretext of alleged criminal violations, the FEC seeks all financial records of the U.S. Labor Party and its vendors in a typical corporate financial warfare fishing expedition. The purpose: to trump up criminal charges and dry up through harassment the sources of U.S. Labor Party funds.

The United Autoworkers in a lawsuit filed in the Southern District of New York in November 1975 also demanded just such financial disclosures by the Labor Party. Freedom of Information Act documents released to the Labor Party by the FBI demonstrate that the UAW sought and retained active collaboration with the Department of Justice and former Attorney General Edward Levi in this effort.

Since January, the FEC and the UAW have been joined by the Rockefeller-aligned Bank of Nova Scotia and David Rockefeller's own Chase Manhattan Bank in the battle for financial disclosure. Both banks allege that credits appearing in accounts held by the National Causus of Labor Committees for \$65,000 and \$90,000 dollars respectively were, despite numerous checks by the NCLC with the banks for a period of two months, in reality "bank errors." The banks too asked for full financial disclosure under the pretext of civil lawsuits.

#### *Counterattack-Cartergate*

By the time the U.S. Labor Party brought its request for a TRO before Judge Robinson after the June harassment visits, the FEC had already issued its 13 subpoenas to individuals and corporations, allowing it to justify to the judge that it was pursuing a "criminal investigation." According to Attorney Steele the FEC

determined in January that there were "possible violations" of the law and, whatever the violations of civil rights, the issue was the FEC's power to conduct a "criminal investigation." This outrageous circumlocution by the FEC comes very close to abuse of the legal process (raising bogus criminal issues in order to evade a civil lawsuit) and effectively protects the FEC from discovery until the issue of its powers can be litigated.

While attorneys for LaRouche argue in their summary judgment to Robinson that the FEC has no power to rip up the U.S. Constitution, they are exploring other legal avenues to ensure full discovery.

Simultaneously, a heated factional debate in the House Administration and the Senate Rules Committee, the FEC's Congressional oversight committees is in progress over launching a full investigation of the FEC. Such an investigation could lead to immediate impeachment proceedings against President Carter. The U.S. Labor Party has announced plans to help this Congressional debate into daylight by seeking the disqualification of FEC Commissioner Harris, the current Chairman and chief Carter operative of the Commission from all future deliberations on CTEL and the U.S. Labor Party. Disqualification will proceed through the full exposure of Harris' background and the proofs of his prejudice toward this case.

Harris is a top Rockefeller operative who has been variously associated with the Edward Levi-Thurman Arnold Justice Department and law firm networks. He was close to the Robert Kennedy networks and is described as "very close" to Washington attorney

Joseph Rauh, director of Institute for Policy Studies union-busting networks like Miners for Democracy, PROD, and the Ed Sadlowski operation against the United Steelworkers. Harris also helped draft the legislation to set up the FEC, which intelligence sources say was designed solely as a harassment operation since the day of its inception. During World War II Harris served with the Board of Economic Warfare under Nelson Rockefeller.

#### *Financiers Push World Toward War*

At this moment, there are strong indications that the world's two major financier factions, the Rockefellers and the Rothschilds, are united in supporting the Carter plumbers' attack on the USLP and other pro-development forces. If this is the case, it means that both of these factions, while maneuvering for leverage against each other in the impending collapse of the international debt structures, are insanely agreed on a policy of global austerity and deindustrialization. This policy will inevitably lead to world monetary and industrial chaos and thermonuclear war, as financiers attempt to impose fascist austerity regimes throughout Europe and the Third World.

It was this danger that Lyndon LaRouche warned of on nationwide television election eve, Nov. 1, when he called on the world to prevent at all costs the consolidation of a Carter dictatorship in the U.S. If the fraudulent Carter election is not overturned, LaRouche warned, thermonuclear war is likely before the end of 1977. It is not accidental that the FEC has focused its ire on the financing of this message to the public.

## Carter's Enemies List: Targets For Cointelpro

The Federal Election Commission sits in the middle of a Cointelpro octopus created by the Carter Administration and its private intelligence apparatus to silence all resistance to its policies. In the first six months of the Carter presidency, the Federal Election Commission (FEC), the Federal Bureau of Investigation, the Organized Crime Strike Force and the Public Integrity Section of the Justice Department have been unleashed under Executive order in a campaign reminiscent of the Hitler regime's outlawing of all opposition as "treason against the Nazi Party."

These criminal operatives have not been directed only at the U.S. Labor Party. Sources close to the Administration have confirmed that Carter has compiled an "Enemies List" composed of all forces acting to defend the Constitution and the American system of progress. Each of the individuals and organizations so targeted have been subjected to consistent illegal harassment carried out through the Justice Department and the FEC. The accompanying annotated chart provides only a sketch of the targets of the Carter octopus during the first six months of 1977.

#### *The Federal Election Commission*

*Case 1: The Liberty Lobby — The Liberty Lobby, publishers of a weekly conservative newsletter, Spot-*

*light*, was subpoenaed in May 1977 by the FEC and ordered to provide a detailed accounting of its principal financial backers, its creditors and the personal financial situations of its members and sponsors. The Liberty Lobby is not a political party and did not endorse a Presidential candidate in the 1976 elections, but the FEC claimed jurisdiction on the basis that a *Spotlight* series of articles documented the connections between Jimmy Carter and the Coca Cola Corp.-Capricorn Records cocaine trafficking operations in Atlanta. This special supplement documented that over \$1 million in matching funds was provided to Carter on the basis of funds conducted illegally through rock concerts. It is a fact that under the FEC's own enabling legislation and codes, newspapers are declared outside its jurisdiction; however, this has been wholly ignored in this case.

*Case 2: National Chamber of Commerce (National Chamber Litigation Center) — During 1977 the Chamber of Commerce's Litigation Center initiated a series of federal court actions against the FEC, making a limited Constitutional argument that the FEC's restrictions on political action associations are illegal. The FEC then initiated action against the Chamber of Commerce, claiming that that body's longstanding practice of issuing "score cards" on the voting records of every*

member of the U.S. Congress is a form of indirect campaigning.

**Case 3: Governor Milton Shapp** — The Pennsylvania Governor, a Carter supporter and a longstanding operative for the New York banks, has been the target of an intensive FEC “fishing expedition” to establish grounds for not only revoking approximately \$300,000 in campaign matching funds (from Shapp’s shortlived 1976 Presidential bid), but handing down criminal indictments against him. An aide to Shapp characterized the FEC attack as a political move by Carter to dump Shapp because the governor could not deliver the support of the heavily industrialized state for the Administration’s industry-destroying energy conservation schemes. Shapp was sufficiently terrorized by FEC harassment that he agreed to precedent-setting personal responsibility for every aspect of his campaign.

**Case 4: Senator Jesse Helms (R-N.C.)** — Senator Helms, one of the most outspoken critics of the Carter Administration’s attempts to bail out the New York banks at the expense of the industrial capacity of the nation, has been placed under investigation by the FEC on unfounded charges of “illegal campaign contributions” provided by a publicly known non-partisan club in North Carolina.

**Case 5: American Medical Association** — The AMA has been highly critical of the Carter HEW Department’s policy of discontinuing virtually every basic bio-medical research program and the Carter White House’s policy of drug proliferation. The AMA has been targeted for FEC investigation by the Rockefeller-funded Common Cause. The reason: “influence peddling” against Carter Administration genocide. The grounds: so-called “proliferation” of political action groups.

#### *Federal Bureau of Investigation*

**Case 1: Philadelphia Mayor Frank Rizzo** — One of the last of the urban constituency-based Democratic Party machines has been placed under intensive FBI attack and investigation under the personal orders of Attorney General Griffin Bell. Bell, in response to the refusal of the Rizzo-connected state political machine to fall in be-

hind Carter’s policies of deindustrialization and labor intensive public works, has ordered the FBI and Philadelphia-based U.S. Attorney Marstan to initiate an intensive “fishing expedition” directed at Rizzo’s police department to establish the basis for criminal indictments against the mayor and his key allies around such charges as “discriminatory hiring,” “police brutality,” etc. At the time of this writing, 50 additional FBI and 40 additional ATF special agents are in Philadelphia deployed exclusively on the “investigation.”

**Case 2: The International Brotherhood of Teamsters** — Carter’s Secretary of Labor F. Ray Marshall announced as the first order of business upon his confirmation that he was launching a personal crusade to destroy the Teamsters, reinstating a policy that was begun under the Attorney Generalship of Robert Kennedy. The FBI is the principal vehicle being used to carry out frameups, institute “organized crime” grand juries, etc. — all directed at breaking the union and at seizing control of the huge pension funds for use in bailing out the New York Banks.

#### *Justice Department*

#### *“Public Integrity Section” (PIS)*

**Case 1: Governor Meldrim Thomson** — The Justice Department initiated a wholly contrived investigation into “illegal funding practices” of the New Hampshire Governor *immediately after* Thomson led a major political organizing drive in support of the Seabrook nuclear power plant, a drive that included open exposés of the Institute for Policy Studies’ environmentalist terror brigade, the Clamshell Alliance. The PIS investigation centered around charges that Thomson illegally used LEAA funds to gather a million petition signatures from state residents in support of Seabrook. Subsequent charges stemmed from the fact that Thomson had requested LEAA funds be allocated to defray expenses incurred in the detention of 1,000 Seabrook disruptors from the Clamshell group. While the LEAA refused the request, it has been subsequently learned that the LEAA is financing the legal defense of the demonstrators.

## The Economic Warfare Specialists Who Run The FEC

**FEC Chairman Thomas E. Harris** (Democrat): A veteran redhunter, who got his start working with Nelson Rockefeller in the wartime Bureau of Economic Warfare, which, among other things, helped to map Rockefeller wartime debt collection policies in Latin America. Helped set up the AFL-CIO vote fraud machine that “elected” Carter, and also helped draft the legislation implementing the FEC. Openly hostile to the U.S. Labor Party.

#### *History:*

1937-41: Department of Justice.

1941-42: Associate General Counsel, Federal Communications Commission.

1942-43: Office of Price Administration, under the

directorship of Chester Bowles, later one of the masterminds of the postwar anti-communist hysteria.

1943: Board of Economic Warfare; worked with Nelson Rockefeller, who was heavily involved in the Board’s work in his capacity as head of the Office of Inter-American Affairs.

1945-46: With U.S. Military Government in Germany (period of reconstitution of German unions under Social Democratic-CIA leadership).

1947-48: Department of Justice, Special to Assistant Attorney General for Alien Property Division, which oversaw administration of Nazi properties and was then in the process of handing over Nazi I.G. Farben properties to Rockefeller’s Standard Oil (Exxon) as fast

as politically expedient.

**1948-55:** Harris becomes Assistant General Counsel to the CIO in 1948, under Arthur Goldberg, who assumed the post of CIO General Counsel following the February, 1948 resignation of previous CIO Counsel Lee Pressman, who was associated with the CIO's Communist Party wing. Goldberg proceeded to run the purging of the CP-linked left unions, with 11 unions expelled in 1949-50. Goldberg was assisted in his purge by the Reuther brothers, and by the newly formed Americans for Democratic Action, which Harris was involved in. During this period, ADA co-founder Hubert Humphrey played a key role in the drafting and implementation of the Smith Act anti-communist law.

During this period, Harris also became a close friend of union-buster Joseph Rauh. He hooked up with Rauh again in the Kennedy Civil Rights era.

**1955-60s:** Harris continues as AFL-CIO Associate General Counsel after the merger of the two labor federations. AFL-CIO credits him with setting up the AFL-CIO Committee on Political Education (COPE), now a major component of Carter's vote fraud apparatus. While with the AFL-CIO, his specialties were election law and civil rights. He filed several amicus briefs for the AFL-CIO, including one in support of the original "one-man-one-vote" case.

In the 1960s, Harris worked closely with the Kennedy Justice Department, having been part of the Leadership Conference on Civil Rights with NAACP head Clarence Mitchell, the Urban League, etc., which drafted the 1965 Voting Rights Act.

**1974:** Harris helped draft the Federal Elections Campaign Act of 1974, which chartered the FEC. He was "chosen by the Senate Rules Committee to draft the bill" because he was "the best expert in the field," according to AFL-CIO sources.

In dealings with the U.S. Labor Party, Harris has always been openly hostile. When the FEC considered Lyndon LaRouche's application for primary matching funds this February, he was the only FEC commissioner to vote against accepting the USLP nominating procedure as a valid procedure. Since Harris became FEC Chairman in May, 1977, there has been a marked increase in FEC financial warfare and other harassment against the U.S. Labor Party.

**FEC Commissioner Niel Staebler (Democrat):** Key figure in the post-war red purges in the American Veterans Committee, where he earned a reputation for informing to the FBI. He worked with the Office of Price Administration at the same time as Harris. At various times has served with the Michigan Democratic Party, Kennedy's Commission on Campaign Costs, the Detroit Council on World Affairs (linked to Rockefeller's New York Council on Foreign Relations), the 20th Century Fund, and is currently a member of the Democratic National Committee.

**FEC Commissioner Robert Tiernan (Democrat):** Rhode Island State Senator, 1961-67, U.S. Congress, 1967-73, chairman of the Fabian Democratic Study Group, set up by Institute for Policy Studies terrorist coordinator Marcus Raskin.

## What Is The Twentieth Century Fund?

The Twentieth Century Fund, which bears major culpability for the creation of the Federal Election Commission and related designs to eliminate America's constitutionally-mandated electoral college system of democracy, was first incorporated in Massachusetts in 1919. It was, in the main, a think-tank project of the Rockefeller family. Like the New York Council on Foreign Relations, the Fund's initiators were Edward A. Filene and his associate, Louis Brandeis, the New England representative of Standard Oil's Sullivan and Cromwell law-firm.

The Fund's parent organization, upon which Filene and Brandeis drew for resources and direction, was the Russell Sage Foundation, the original "CIA" institution in the United States which the Rockefellers employed to import and disseminate "Fabian Socialist" intelligence and counterinsurgency policies from Britain, where they had long been used by Sydney and Beatrice Webb and others for London's Rothschild financier circles.

Reflecting this "Fabian" importation and Russell Sage development of "social work," the Twentieth Century Fund's emphasis from its inception has been "Big Brother" forms of social-control and manipulation, alteration or elimination of U.S. laws and constitutional procedures for such 1984 purposes. Throughout its history, the Fund has served as an outlet for Russell Sage

"Fabian" operations, partner in Sage-initiated projects and investigative work, and contracting agent for Russell Sage-devised "community control" social control heresies against the American system of government, law, and economy.

This partnership became critically important after 1929. During the Great Depression, the Fund became one of the most important think tanks involved in preparing and supporting the Rockefeller's "New Deal" under Roosevelt. The Fund's research work, in-house and contracted out, represented thorough-going design and back-up for all of the essential Mussolini-modelled "New Deal" policies, including studies on the nation's debt structure and the vulnerabilities of trade union organizations.

Many of the Fund's currently sitting board members, who devised the FEC plumbers unit, are veterans of that "New Deal" application of Mussolini's corporatism to America.

Since World War II, the Twentieth Century Fund's most public exhibitions have all been conducted through the "liberal" Center for the Study of Democratic Institutions. In a way that intersects Zbigniew Brzezinski's first attacks on the American Constitutional system at David Rockefeller's behest in this period, the Twentieth

Century Fund in 1968 began undertaking election and voter-reform research, setting up a Commission on Campaign Costs in the Electronic Era (sic).

On the Commission were the former Federal Communications Commission chief Newton Minow, former "New Deal" attorney Tommy "the Cork" Corcoran, who wrote Rockefeller propositions up into Securities Exchange Commission regulations, investment banker Robert Price, and Alexander Heard of the Kennedy Administration Campaign Costs commission and a Ford

Foundation trustee.

The commission's 1969 report, "Voters' Time," was the beginning of related Rockefeller projects which led into the Watergating of the Nixon Administration and related "scandals" culminating in today's FEC. The report proposed public financing of candidates' media use and voter tax check-offs (\$25) for campaign financing purposes.

The proposal resulted in the Revenue Act of 1971.

A second commission created under Fund auspices in

## Who's Who

**Adolph A. Berle, Jr.:** chairman, Twentieth Century Fund, 1934-1971; (deceased) personal advisor to the Rockefeller family; former attorney in Louis Brandeis' law firm, Brandeis, Dunbar and Nutter 1916-17; OSS agent under Nelson Rockefeller's Center for Inter-American Affairs, 1940s; member of Fiorello LaGuardia's and FDR's "braintrust"; present at 1961 National Security Council meeting that decided to launch Bay of Pigs invasion of Cuba

**Peter A. A. Berle:** son of A.A. Berle, Jr.; commissioner, New York City Dept. of Environmental Conservation

**James Rowe:** partner, Corcoran, Youngman and Rowe; FDR "braintruster"

**Benjamin V. Cohen:** former counsellor to State Dept.; Benjamin Cohen and Corcoran (of James Rowe's law firm) together with John Foster Dulles and Arthur Dean of Standard Oil's Sullivan and Cromwell, wrote the SEC acts of 1933 and 1934, which stymied Morgan banking expansion to the advantage of Rockefeller interests.

**Patricia Roberts Harris:** partner, Fried, Frank, Harris, Shriver and Kampelman; Secretary of Housing and Urban Development; director Chase Manhattan Bank; law partner Sam Harris is a director of Guy de Rothschild's mineral cartel Rio Tinto Zinc; law partner Max Kampelman is Hubert Humphrey's close advisor.

**Morris B. Abram:** senior partner, Paul, Weiss, Rifkind, Wharton and Garrison, the law firm that runs the Fabian Reform Democratic Party in New York City; director, American Jewish Committee.

**John Paul Austin:** Chairman, Coca Cola Co.; member, Trilateral Commission; "discovered" James Carter; director, Rand Corp.

**David E. Lillienthal:** former chairman, Tennessee Valley Authority; former chairman, Atomic Energy Commission.

**Hodding Carter III:** State Department spokesman

**Charles V. Hamilton:** co-author, *Black Power*, with Stokely Carmichael.

**Arthur Schlesinger, Jr.:** OSS in 1940s; author, *A Thousand Days*, history of Kennedy Administration; Kennedy family's personal historian and publicist.

**Erwin D. Canham:** editor emeritus, Christian Science Monitor.

**Jerry Wurf:** president, American Federation of State and Municipal Employees; member of Cornell School of Industrial and Labor Relations

**Arthur Burns:** chairman, Federal Reserve Board.

**Shirley Williams, MP:** Secretary of Education, British Cabinet; First woman general secretary of the Fabian Society.

### OFFICERS

Chairman of the Board, **James Rowe**

Treasurer, **Benjamin V. Cohen**

Secretary, **Peter A.A. Berle**

Director, **M.J. Rossant**, former editor, *New York Times*

Investment Advisor, **Leo Model:** chairman, Shields Model Roland (Rothschild investment bank); director, Compagnie du Nord (Rothschild holding corporation); director, Rio Algom Mines, Ltd. (Rothschild uranium mine in Canada); chairman, St. John del Rey Mining Co. (Rothschild-Hanna mining complex in Brazil)

### ATTORNEYS

**Burns and Burns**  
1 Rockefeller Plaza.

**Richard Burns:** Federal Trade Commission attorney, 1961-63; Twentieth Century Fund attorney, 1967-69

**Bruce Burns:** Justice Dept., Organized Crime and Racketeering Section of Criminal Division, 1967-71; Treasury Dept., Office of Law Enforcement, 1971-73; Cost of Living Council, 1973-74; Interior Dept., 1974-76

1970 was chaired by Thomas B. Curtis, who was to be the FEC's first chairman in 1971. Its proposals were the same but more so, calling for full disclosure of financing by all Congressional candidates in its report: "Electing Congress: The Financial Dilemma." This too was enacted as law in the Federal Election Commission Act of 1971.

Once the Rockefeller group had set its sights on putting Jimmy Carter in the White House (1973), the Twentieth Century Fund's constitution and election-related "reform" output accelerated considerably, ranging the gamut of issues from independent-agency status for the FEC, proposed in the 1975 publication "Political Money: A Strategy for Campaign Financing" authored by University of Wisconsin professor David Adamy, who made in the same proposal and those cited below in Senate testimony; to a proposed repeal of tax check-offs

in favor of total FEC financial control of elections. Then, in the same publication, came the Fund's original public proposal for government institutionalization of the Rockefeller family vote-fraud apparatus that was to put Jimmy Carter in office only a year later: "We propose federally sponsored universal registration for federal elections...such as post card and door to door registration..."

That proposal, of course, would not only presidentialize the southern politician discovered by the Twentieth Century Fund's J. Paul Austin of Coca Cola, and tutored by Trilateral Commission chairman Brzezinski. Once the Rockefeller-puppet Carter regime was installed, the proposal was to be the backbone of the notorious tombstone registration bill Carter introduced in the effort to consolidate an FEC-system in place of the traditional American republican system.

## Financial Warfare Costs USLP \$15,000 A Week

An in-depth analysis of two of the U.S. Labor Party's 11 regional organizations shows that of the \$50,000 required each week to meet necessary organizational expenses, \$15,000 — 30 percent — is stolen through plumbers' unit operations. These include dissemination of slanders, pressure on the organization's vendors, threats and intimidation of Labor Party members and supporters and the addition of legal costs to fight such illegal financial harassment in court.

The financial warfare breaks down broadly into three categories of criminal operations: 1) explicit "financial warfare" operations, 2) physical disruption and containment activities which deny U.S. Labor Party organizers their First Amendment rights, and 3) black operations run out of Institute for Policy Studies terrorist networks:

### *Financial Warfare*

*Case 19:* The Federal Elections Commission June 21 subpoenaed all records of payments made to Niles Realty Company (the landlord for the Labor Party National Headquarters) by the U.S. Labor Party. The following day, Niles notified its tenants, the Labor Party, that an eviction proceeding was about to be filed for non-payment of rent, despite no increase in back rent position. Eviction proceedings were filed June 23 — clearly demonstrating a response to the FEC's "extension of credit-voluntary campaign contribution" provision, which holds vendors "criminally responsible for any outstanding debts.

### *First Amendment Violations*

*Case 7:* Over the last two to three weeks, several Pittsburgh suburban police departments began a campaign to run Labor Party organizers out of those towns. The pattern and the timing indicated the dissemination of slanders of the party to these police departments — based on current Attorney General's slanderous report identifying the National Caucus of Labor Committees as a "violence-oriented marxist revolutionary organization."

*Case 8:* Over the past several weeks, local U.S. Labor

Party chapters throughout the State of Michigan have been burdened with approximately 130 tickets for violations of soliciting and similar infractions. Over 30 of these charges have been dismissed in courts of law but the Michigan local chapters continue to receive this type of harassment daily.

*Case 9:* In Vancouver, B.C. on June 25, Hare Krishna zombies physically attacked two North American Labor Party members, one of the attackers using a hand-made club.

*Case 10:* A June 29 downtown Chicago Labor Party rally was disrupted by no less than one dozen undercover police officers. When the crowd at the rally objected to police attempts to shut down the rally, police permitted the rally to continue only if the U.S. Labor Party's white paper entitled "The First National Bank of Chicago" was not sold.

### *Institute for Policy Studies Operations*

*Case 5:* A variety of Institute for Policy Studies-connected "left" journals this week surfaced a slander line on the U.S. Labor Party, identifying the Labor Party as "CIA," "rightists," or "police spies." Such slanders were built around the party's successful mobilization to prevent the environmentalist Clamshell Coalition from carrying out terrorist operations against the Seabrook nuclear energy plant in New Hampshire. The slanders have already provided the context for a June 29 letter from the IPS-linked George Jackson Brigade terrorist gang to the Labor Party in Seattle threatening a campaign of violence and slanders against the Labor Party.

*Case 6:* On June 29, Congressman Larry McDonald (D-Ga.) inserted a slander of the U.S. Labor Party into the Congressional Record — demonstrating that he and IPS are part of the same harassment campaign documented here. McDonald lied to cite Labor Party involvement in international terrorist activities which he claimed, also involved "unnamed right-wing organizations." McDonald claimed that the U.S. Labor Party is funded by Libya.



# Human Rights Violations Brought Before International Tribunal

Appropriate documentary material on the gross violations of the human rights of the U.S. Labor Party now being committed by the U.S. Federal Elections Commission has been submitted by the party to the United Nations Commission on Human Rights and to the Inter-American Commission on Human Rights of the Organization of American States.

Mr. Jakon Moller, Chief, Communications Unit for the UN Division of Human Rights has referred the matter to both the UN Commission on Human Rights and its Subcommittee on Prevention of Discrimination and Protection of Minorities which meets this August in Geneva, Switzerland. This Subcommittee is empowered to investigate "questions of the violations of human rights and fundamental freedoms" and to strive for a friendly solution to these violations.

The submitted documentation shows that the Carter Administration, which has sanctimoniously and abrasively chastised government after government for supposed human rights violations, is at home breaking every international accord the United States has signed for the protection of individuals' freedoms.

Specifically, in persecuting the U.S. Labor Party and its individual members through the Federal Elections Commission (FEC), the Carter Administration is in violation of many aspects of the UN Universal Declaration of Human Rights, including Article 9 which guarantees each individual the right to freedom of opinion and expression.

The Carter Administration now also stands in violation of Articles 1 and 4 of the American Convention on Human Rights of the Organization of American States which asserts that every human being has the right to liberty and security of person and to freedom of expression and dissemination of ideas.

The FEC's actions are also in direct violation of the Final Act of the Conference on Security and Cooperation in Europe signed by the United States in Helsinki in 1975.

LeRoy Jones, retired railway worker who contributed to the LaRouche Presidential campaign and who was subsequently threatened and terrorized by FEC agents, has filed suit against Unknown Agents of the Federal Elections Commission in U.S. District Court for the District of Columbia. The plaintiff cites as impelling grounds for court action, Part I, Section VII of the Helsinki accords under which the U.S. agreed to:

respect human rights and fundamental freedoms including the freedom of thought, conscience, religion or belief, for all (and) . . . promote and encourage the effective exercise of civil, political, economic, social, cultural and other rights and freedoms all of which derive from the inherent dignity of the human person and are essential for his free and full development . . .

With its attacks on the U.S. Labor Party, Liberty Lobby, Gov. Meldrim Thomson and others through the Federal Elections Commission, the Carter Administration has demonstrated that it has no concern for human rights except as a political bludgeon against governments. The international arena is, however, an important court of appeals for domestic U.S. forces mobilizing to preserve the U.S. Constitution.

Countries with representatives on the UN Subcommittee on Protection of Minorities include: France, Britain, the Soviet Union, Italy, Mexico, Rumania, Iraq, India, Egypt, Yugoslavia, and sixteen others. These countries have an important role in guaranteeing that most fundamental right — the right of peoples to organize for their economic survival and development.

## Question Before Congress: Investigation Of FEC

Testimony presented by the U.S. Labor Party this week before the House Administration Committee on campaign financing laws brought to light widespread opposition to the Federal Elections Commission and deepening sentiment in favor of holding oversight hearings to review FEC activities.

Richard Cohen, U.S. Labor Party spokesman detailed for the committee how the FEC is working as an Administration plumbers unit to squash opposition, violating First Amendment rights of the Labor Party and other candidates and supporters through its illegal "investigations" of campaign financing. Cohen asked the committee to table legislation to expand FEC powers until the results of a congressional investigation into the FEC.

Despite Administration Committee Chairman Thompson's (D-N.J.) claim that the current hearings

were not the place for oversight review of the FEC, Rep. Cleveland (R-N.H.) stated that the very issue of the continued existence of the FEC is raised by the legislation under consideration.

Congress currently has before it at least 18 bills, in the lower house alone, which would extend current public financing campaign laws from presidential campaigns to congressional races, and further extend the grossly abused authority of the FEC. One committee member's aide reported that "Internecine warfare has broken out in the committee over the question of holding oversight hearings on the FEC." The Labor Party's dossier of evidence on the FEC, including FEC collusion with the Federal Bureau of Investigation to wage financial warfare against the Labor Party and Committee to Elect LaRouche, served to solidify already widespread sentiment against the FEC. That opposition ranges from

Rep. Philip Crane (R-Ill.), who called for the abolition of the FEC in the April edition of *Trial Magazine*, to Rep. Frenzl (R-Minn.) who protested the FEC's inefficient and unnecessary red-tape in a letter to the *Wall Street Journal*.

Labor Party testimony before the House panel occurred just as D.C. District Court Judge Aubrey Robinson denied the party's request for a Temporary Restraining Order against the FEC's continued in-

vestigation of the U.S. Labor Party's finances and FEC lawyers' argument for a criminal investigation against the party. When that news reached Capitol Hill, conservative Congressmen already opposed to the FEC's campaign regulations went into action. Top-ranking members of the Senate Rules and Judiciary Committees are now studying the Labor Party charges indicating that a bi-partisan coalition within the two committees may be formed to initiate an investigation.

## 'Does The Campaign Act Cost More Than It's Worth?'

*The following are excerpts from an article, written by U.S. Representative Philip M. Crane (R-Ill.) which appeared in the April, 1977 issue of the American Trial Lawyers Association Trial Magazine. Crane calls for the replacement of the Federal Elections Campaign Act and the dismantling of the Federal Election Commission.*

In 1974, Congress, in its infinite wisdom, decided to banish corruption and influence peddling from presidential politics. The instrument to accomplish this laudable goal was entitled the Federal Election Campaign Act, and was administered by the Federal Elections Commission. Two years have elapsed, a presidential election has come and gone, and there remains little evidence that the existence of the FEC has altered public life for the better. There is evidence, however, that the involvement of the federal government in regulation of elections has altered our political freedoms. It is my view that the Federal Election Campaign Act is neither necessary nor desirable, and should be replaced...

...The law requires so many reports, and prohibits so many activities that even the most scrupulous candidate runs a severe risk of falling afoul of some of its provisions. It is no accident that the two major parties spent more than \$1 million in 1976 just to deal with the provisions of the Federal Election Campaign Act. No one knows how much time was devoted to compliance by congressional and senatorial candidates.

There is general agreement that the FEC has created an administrative nightmare...The real problem with the FEC, however, is not that it is another obtuse bureaucracy. The problem is that the law FEC seeks to administer works against established political freedoms and thus threatens the entire political process.

Political contributions are a valid and defensible means of citizen participation in politics. Many people are unable to devote large amounts of time to political activity, but are in a position to make a financial contribution...

Removal of an individual's right to make a political contribution is a severe restriction upon his political freedom. The First Amendment guarantees Americans freedom of expression. One of the most tangible means of

expression is the attempt to influence his fellow citizens on the course of public policy and on the choice of candidates...

The removal of private contributions has as its purpose the elimination of the power of wealthy individuals to seek their own advancement and that of "special interest groups" to achieve their aims. In reality, it is doubtful whether this purpose has been achieved, or whether influence has simply been shifted to other interest groups. Professor Ralph K. Winter has persuasively argued that with the elimination of private contributions, real power has shifted to those political activists with free time, those who operate so-called "issue" campaigns (such as Common Cause and the environmental groups) and those who control the media. I might also place labor unions in this category. It's therefore entirely possible that all we have achieved is the substitution of one power bloc for another, while simultaneously chopping away at the First Amendment...

### *Incumbents Have Upper Hand*

One area where private contributions are of overwhelming importance is in an election challenge to an incumbent... Barring special considerations, a successful challenger would have to raise at least twice as much as the incumbent in order to overturn the advantages of office. The \$1,000 limit on contributions has made that task virtually impossible. In a very real sense, the Federal Election Campaign Act has become the Incumbents Re-Election Act. This tendency would be even more pronounced if public financing were extended to congressional candidates.

An absurd exception to this limitation is the use of a candidate's private fortune to bankroll his campaign. The Supreme Court in *Buckley v. Valeo* removed the limitation on personal expenditures, and allowed a candidate to spend as much of his own money as he saw fit... It has been pointed out that with such provisions of law the House and Senate could be filled with nothing but millionaires.

Just as FECA has preserved incumbents, it has also preserved the dominance of the two-party system. I am personally of the belief that America works best with two parties, but I am completely opposed to the notion that this should be locked into law. Throughout our history third parties have been active and received considerable

public support...an objective review of the Federal Elections Campaign Act will show that it is not the instrument of salvation. It is, however, a serious infringement upon the rights of our citizens, and an indirect assault

upon the diversity of American political thought. The House and Senate have an obligation to admit their mistake, and restore the freedoms they have cavalierly subverted in the name of justice.

## The Origins Of The FEC — 15 Years Of Subversion

The history of the Federal Election Commission, voted into existence four days after the resignation of Richard Nixon, in August 1974, is not the story of an honest Federal agency gone bad. The creation and illegal deployment of the FEC is part of a larger campaign of subversion, waged intensively since approximately the beginning of the Kennedy Administration, by foundations and individuals such as the Twentieth Century Fund, Common Cause, and Ralph Nader — all acting on behalf of the Rockefeller and Rothschild financier groups.

The FEC was created to be used along with special operations by the Internal Revenue Service, the Justice Department and the Labor Department, to create bogus scandals around campaign funding, corporate contributions, union pension fund management, and similar issues. The aim of such coordinated dirty tricks has been to prevent any incipient pro-growth labor-industry alliance from wielding power in Congress or the Executive Branch in effective opposition to the extreme austerity measures which the monetarist interests have demanded for the United States — beginning with the 1957-58 recession and accelerating with the 1960s unraveling of the international monetary system.

Even the extremely limited and shortsighted pro-growth labor-industry cooperation on behalf of Nixon's 1972 campaign, based primarily in the construction, defense and transport industries, represented an intolerable potential threat to monetarists then planning in earnest to dismantle high-technology U.S. industry. They sought a way to eliminate this threat — permanently — by setting up a permanent plumbers unit of their own. The *New York Times* once called the establishment of the FEC "the most important development to come out of Watergate."

### Founding Fathers

Overall, on the operational level, it was the old Franklin Roosevelt crew, the Americans for Democratic Action types, which gave America the FEC atrocity.

The story of the FEC actually begins in 1961, when advisors to President John F. Kennedy, anticipating strong congressional resistance to their counter-insurgency austerity policies, formed the President's Commission on Campaign Costs, to go after conservative political figures. The following year this commission called for the formation of a Federal Election Commission to scrutinize congressional campaign financing.

The members of the Kennedy Commission were to play critical roles in the later establishment of the FEC during the Nixon Administration. They were: Herbert

Alexander, Commission Executive Director and Director of the Princeton-based, Ford Foundation-funded Citizens Research Foundation; Neil O. Staebler, future vice-chairman of the Twentieth Century Fund 1970 campaign costs task force, a board member of National Training Laboratories, pioneers in small-group brainwashing techniques, and now an FEC Commissioner; and Paul Porter, founder of the Democratic Party's Arnold and Porter law firm, and a holder of many government posts under F.D.R., including the post of Deputy Director of the Office of Price Administration during World War II in which present FEC Commissioners Staebler and Thomas Harris were his underlings. The Kennedy Commission coordinated its investigations with Kennedy's Federal Communications Commission chairman Newton Minow, soon to be director of the Rand Corp. and subsequently chairman of the Twentieth Century Fund's 1968 campaign costs task force.

In 1968, the Justice Department under "ultra-liberal" Ramsey Clark, launched an investigation into corporate adherence to the 1925 Corrupt Practices Act, and the Twentieth Century Fund formed the first of two campaign costs task forces, chaired by Minow and including Ford Foundation trustee Alexander Heard. Meanwhile the *New York Times*, Herbert Alexander's Citizens Research Foundation and others loudly decried corporate funding of Nixon's 1968 Republican presidential campaign.

The monetarist agents were particularly concerned that labor-industry cooperation in defense of economic growth policies would interfere with their austerity drive. A Justice Department-instigated federal grand jury indicated officers of the St. Louis Pipefitters union for alleged illegal contributions under the 1925 Corrupt Practices Act. These indictments, clearly in violation of the Taft-Hartley Act's provisions for political committees, had only one purpose: keep the unions in line, keep them away from the conservatives.

The Republican Party responded to the campaign cost flap by charging that the Johnson Administration was forcing civil servants to contribute to Humphrey's presidential campaign. The Republicans foolishly backed a bill to set up an FEC, hoping it could be judoed against the Fabian Dems. The *New York Times* cheered, and after the Nixon victory, the Rockefeller-controlled Committee for Economic Development and the Fabian Center for the Study of Democratic Institutions both held planning conferences on how to use the campaign financing issue against the conservatives: their reports too

called for formation of an FEC. In the waning months of Ramsey Clark's tenure at the Justice Department, 100 congressional candidates from the 1968 race were threatened with prosecution for not filing reports under the 1925 Corrupt Practices Act.

## The Federal Election Campaign Act of 1971

Roosevelt-era operatives were brought back to threaten elected representatives if they did not go along with the push to limit campaign spending and weaken the conservatives. The National Committee for an Effective Congress (NCEC), founded in 1948 and still run by Sidney Scheuer, executive director of FDR's Foreign Economic Administration, drafted the bills and lobbied for their passage.

Early in 1969 the National Committee for an Effective Congress joined with Kennedy intimate Rep. Torbert MacDonal to draft a bill that would place ceilings on campaign spending for television and radio time, and force the networks to give discounts so Fabian candidates who could not command popular financed contributions could get on the airwaves. In their first task force report, the Twentieth Century Fund concurred. The National Committee for Causes and Prevention of Violence went so far as to demand public financing of candidates TV time "to prevent assassinations."

But Congress refused to act. In response, holdovers in the Justice Department from the Kennedy-Johnson era attacked the shipping industry and its unions for violations of the 1925 Corrupt Practices Act in early 1970. Officers of two California shipping companies and the Seafarers International Union were indicted for illegal contributions to conservative Democrats Sens. Magnuson and Reps. Garmatz, Boggs and Rivers and House Minority Leader Gerald Ford. Meanwhile, the Ford Foundation awarded the Citizens Research Foundation \$300,000 for campaign costs exposés while that organization produced a report that denounced Defense Department, Atomic Energy Commission, and NASA contractors for funding Republicans 6-to-1 over Democrats through perfectly legal political action committees. The New York Bar Association issued a report on congressional 'ethics' demanding creation of an FEC to police financing with full public disclosure. A second Twentieth Century Fund task force, chaired by Thomas Curtis, concurred.

The National Committee for an Effective Congress, whose executive director sat on the Twentieth Century Fund task force chaired by Curtis, re-drafted its legislation of the previous year for introduction by Democrats Sen. Pastore and Rep. Torbert MacDonal. This time, hit by the shipping industry scandal with promises of more to come, Congress passed the bill.

President Nixon vetoed it; the veto brought everything out of the woodwork.

First, the NCEC, the AFL-CIO, the United Auto Workers and Common Cause joined forces to work for an override of the veto. That failed. Six weeks later, the scandals broke again. Ford, who had organized support for Nixon's veto, was hit for receiving funds from Bank-PAC, the Political Action Committee of the American Bankers Association, representing regional banking

interests. Others smeared were: Sens. Muskie, Brock, and Griffin, and Reps. Boggs, Ashley, Brown, Moorhead, Blackburn, and Hanna. Rep. Tip O'Neill was chastised for not lining up votes to override the veto through an exposé of his unregulated Washington, D.C. political committee. A major story focused on how the American Medical Association was able, through certain accounting procedures, to protect the names of recipients of its contributions.

Common Cause and Ralph Nader's groups were mobilized. Common Cause announced a drive to establish an FEC and brought a class action suit against the Democratic and Republican National Committees and the New York Conservative Party to force them to disclose information on their contribution practices. The Ford Foundation-funded Citizens Research Foundation issued a four-volume study on campaign spending which focused on contributions by leaders of industry to Republican candidates. This was just the beginning.

A federal grand jury indicted United Mine Workers president Tony Boyle and officials of the UMW's Labor's Non-Partisan League for making illegal contributions and using union funds for that purpose. Contributions to Humphrey (\$30,000), and Rep. Wayne Hays were highlighted. Hays was chairman of the House Administration Committee which held jurisdiction over election matters. Ling-Temco-Vought, Olin Corp., McDonnell-Douglas, Northrop and Union Oil — all defense contractors — were threatened with prosecution for failure to file reports on contributions.

In response to this wave of attacks, the Nixon Administration began to move on Nixon's veto-message promise that it would come up with alternative legislation. Rep. Gerry Ford agreed to imposing limits on spending. Sen. George McGovern and Joseph Califano both called for 100 percent federal funding of presidential and congressional races through the U.S. Treasury — an open move to subvert the Constitution.

Of all the bills introduced the most important was that of Republican Sen. Hugh Scott. His bill incorporated the 1970 legislation and called for creation of the FEC. When this passed the Senate, the NCEC called it a "stunning victory" and the *New York Times* was delighted with the FEC provision. Thanks to the more intelligent actions of Wayne Hays, however, the FEC provision was dropped from the final bill, and other legislation to fund campaigns with tax revenue was delayed to go into effect in 1976.

With Republicans again foolishly supporting it, the bill minus the FEC was passed in early 1972, with a compromise turning enforcement power over to the General Accounting Office. Three days later, Ralph Nader charged in a suit against the Nixon Administration that it had raised the Federal support price for milk in return for contributions to various Republican political committees from the dairy industry. Nixon signed the bill two weeks later; it was to go into effect April 7, 1972. The G.A.O hired the Citizens Research Foundation's director Alexander to advise them on enforcement.

## Paving the Way to the FEC

The main problem for the FEC backers now became how to use the new law to bust up the labor-industry

support forming around Nixon. The AFL-CIO had refused to endorse the Democratic Presidential candidate and organizations such as "Hardhats for Nixon" sprung up everywhere. The Teamsters, the Building Trades unions, the Seafarer's International and others all mobilized to support the President. With the resounding Nixon victory in November, the FEC advocates saw that they needed a major political crisis to break the alliance. The 1972 Watergate break-in scandal began to escalate.

Meanwhile, Common Cause opened a campaign for a citizens mobilization to discover and publicize violations of the new law. Nader's public citizen litigation council sued the Justice Department for non-enforcement of the 1925 Corrupt Practices Act. The *New York Times* charged that Nixon campaign chief Maurice Stans had urged industrialists to contribute before April 7, 1972 when the new law went into effect. In March, 1972, Common Cause demanded a Federal court to freeze Democrat and Republican National Committee funds for non-adherence to the 1925 law, and a few weeks later Common Cause filed a suit against TRW, Inc. and 91 complaints against candidates for Congress.

Nader and the National Committee for an Effective Congress also filed a petition with the Securities and Exchange Commission urging it to investigate corporate political funds; scandals evolved out of these investigations in 1974-76. Nader demanded as well an Internal Revenue Service investigation into whether big contributors were paying "gift taxes." Throughout the spring and summer, the UMW case was in court until Tony Boyle and other officials were convicted and sent to jail. Stories about Maurice Stans, Nixon's Lincoln Club, etc., covered the press. Senators McIntyre, Sparkman, and Tower were charged with getting illegal contributions from the National Home Builders Assoc.

In 1973, the Justice Department kicked off the buildup towards new federal laws by working with state attorneys in Maryland to prosecute Vice-President Spiro T. Agnew for alleged illegal actions while Governor of Maryland. Agnew was charged with using his control over state construction contracts to obtain contributions from contractors. This same operation was used against then-Maryland Governor Marvin Mandel, a leader of conservative Democratic machine politics in the state. Mandel's campaign manager headed Maryland Democrats for Nixon in 1972 and Mandel became in effect an activist for the conservative coalition concept, especially among governors, in the same period. The "Mandel-scandal" dragged on for years until Mandel resigned from office in May, 1977, after a heart attack.

With the opening of Congress in 1974, the push for legislation that would enable public funding of congressional and presidential elections and create the FEC was mounted anew. All covert networks gave way to the leadership of Common Cause, chaired by Rockefeller Bros. Fund trustee John W. Gardner. To the tune set by Common Cause that "vested interests" were "buying" congressmen, all other Fabian organizations marched. Another Rockefeller group, the Committee on Economic Development charged in a report published in January that Congress is "a weak and wasteful arm of government."

Common Cause opened the 1974 congressional session

with a 'multitude of reports and newspaper ads. Rockefeller in-law Sen. Charles Percy echoed their pronouncements. Organizations rose up overnight funded by the major foundations: "Project on Corporate Responsibility," "National Information Center on Political Finance," etc.

Early in the year, Nixon attorney Herbert Kalmbach pleaded guilty to "trading ambassadorships for contributions." George Steinbrenner, chairman of American Ship Bldg. was indicted for illegal contributions to congressional races and was later charged by the Securities and Exchange Commission for contributions to Nixon, and Sens. Inouye and Hartke. Nixon appointee John Connally was charged with pocketing milk producers funds.

Eight trustees of the International Union of Operating Engineers pension and welfare fund were forced to resign, pay fines, and turn over money that its members had wanted them to contribute. The Maritime Engineers Benevolent Association and the Seafarers International Union were focused on for legal contributions to Sen. Russell Long. New York's United Federation of Teachers was threatened with prosecution for failure to file reports on contributions. The *New York Times* designated the teachers "the best financed special interest group."

Northrup Corp. admitted "guilt," as did 3-M Co. and Ashland Oil, for contributions to Humphrey, Sens. Tower and Nunn and the Democratic National Committee.

The man behind all this — Attorney General Edward Levi, whom Ralph Nader swore in congressional testimony was the source of his information on corporate contributions.

In Congress, the Senate quickly passed the Federal Elections Campaign Act of 1974. The only fight occurred when Wayne Hays forced the Senate to drop public financing of congressional elections, in exchange for allowing the FEC to be established.

In August, while the House was deliberating, Nixon resigned, and the milk producers and Steinbrenner pleaded guilty. President Ford signed the new law Oct. 16. Common Cause rejoiced that its work resulted in more contributions to Democrats than to the G.O.P. in the 1974 congressional elections.

## The FEC vs. The American People

With the FEC established, the scandals continued to keep pressure on Congress and conservative forces generally. The SEC charged Philips Petroleum, Gulf, Northrup and several other firms with keeping private political funds illegally.

With the FEC's formation in April 1975, began a fight over its authority that lasted almost a full year and ended in the Elizabeth Ray-Wayne Hays scandal. The FEC had six member commissioners, including Thomas Harris and Neil O. Staebler, and Thomas Curtis, FEC chairman, member of the Committee for Economic Development and collaborator with the Twentieth Century Fund.

Early in 1975, the FEC ruled:

- 1) that advance loans or loan guarantees are contributions and must be included in spending limits;
- 2) that "constituents' service funds" maintained by congressmen for providing services to constituents

would be counted as political funds and included in spending limits;

3) that the \$1,000 individual contribution limit applied to business partnerships as well as individuals; and

4) That fees candidates pay to lawyers and accountants hired to prepare their FEC report came within spending limits imposed by law.

The law was so vague that the FEC in effect was empowered to make policy decisions. The new rulings set off tremendous congressional opposition to the FEC.

Furthermore, under the one-house veto provision of the law, either house of congress could vote against an FEC resolution and make it null and void. As the Supreme Court promised a full review of constitutional issue, the Senate voted to overturn the FEC's constituents' service funds, and the House later rejected the FEC proposal for congressmen to file campaign reports with the commission rather than the Clerk of the House or the Secretary of the Senate. The general counsel of the Ford campaign committee announced that the FEC had no power to issue such rules as it had. The FEC began to back down, and the issues were not resolved.

With the opening of Congress in 1976, Wayne Hays, chairman of the House Administration Committee, blasted the FEC for investigating an unsigned, hand-written complaint against an Indiana congressman. When brought before the committee FEC chairman Curtis was unable to explain how the investigation could have been started and said that his staff seemed to be acting autonomously. Hays then blasted the FEC, stating that he hoped the Supreme Court would wipe it out of

existence, and that he would block its appropriations if it didn't allow congressional staff members to campaign for candidates.

Days later the FEC was declared unconstitutional by the Supreme Court, but the Court ruling allowed it to be reconstituted as an independent executive agency to which Congress could not make appointments. Sen. Edward Kennedy subsequently introduced new legislation to reconstitute the FEC.

Congress refused to act on the legislation, and allowed the FEC to go out of existence. In response, Rockefeller lawyer John J. McCloy broke the Gulf scandal again, by forcing Gulf to send letters to congressmen who had received Gulf contributions demanding they return the funds. Some of the Senators named were: Hugh Scott, Howard Baker, Henry Jackson, Bill Brock, Hatfield, Russell Long, Humphrey, John Heinz and Daniel Inouye. Meanwhile a Gulf lobbyist was prosecuted for his role in making alleged payments to Inouye. Ramsey Clark and Nader sued to overturn the one-house veto provision.

As a result of McCloy's action the FEC was reconstituted on May 11, after new legislation passed. Ford reappointed the 5 remaining commissioners and one other.

On May 22, 1976 the *Washington Post* ran a front-page sex scandal story on Elizabeth Ray and Hays. Hays resigned from Congress later in the year.

Then, as the 1976 presidential campaign opened up in earnest, the FEC turned its attentions to U.S. Labor Party presidential candidate Lyndon LaRouche, who was campaigning actively for a labor-industrial alliance on behalf of progress to stop Jimmy Carter.

# Carter Renews Confrontation With Soviets, Sparks Controversy In U.S.

At a press conference June 30 Jimmy Carter stunned friend and foe alike with his decision to replace the controversial and costly B-1 bomber program with the even more controversial deployment of the cruise missile. As even diehard opponents of the B-1 were quick to observe, Carter's "frugal" decision to renovate the Fifties-era B-52 bomber force and equip it with the cruise missile will have a far more destabilizing effect on U.S.-Soviet relations than the production of the B-1, and will make an arms control agreement a near-certain impossibility. For two years Strategic Arms Limitation Talks (SALT) have been stalled over the cruise missile issue. The July 1 *Washington Post* identified National Security Adviser Zbigniew Brzezinski, Defense Secretary Harold Brown, and Office of Management and Budget Director Bert Lance as the architects of the B-1-cruise decision.

Leaving little doubt that Carter's endorsement of the cruise option was a reaffirmation of his headlong rush to confrontation with the Soviet Union, the President simultaneously announced his intention to pursue a "one China policy," whose aim is to conclude an alliance with Peking against the USSR.

Although liberal Democrats opposed to big defense spending were initially delighted by the President's decision to junk the B-1, second thoughts quickly set in. Senator Alan Cranston (D-Calif.) ominously warned after the Carter press conference that "the cruise missile is cheap, but it can destabilize the delicate balance between our nation and the Soviet Union and make it more difficult, if not impossible, to reach a meaningful arms agreement."

Conservatives, who had been assured a scant twelve hours before Carter's announcement that he would opt for full production of the B-1 bomber, were outraged. Senate and House Minority Leaders Howard Baker (Tenn.) and Rhodes (Ohio) called a press conference the same day to denounce Carter's B-1 decision as "rank amateurism." Convinced that Carter's decision was part of a larger Administration destabilization plan leading to war, the two Republican leaders rebuked Carter for his Mideast policy pronouncements earlier last week. "We believe the Administration has escalated rhetoric in a way to further harden the lines" of both Arabs and Israelis, they said. It is "an astonishing example of diplomacy by publicity in which the Administration took still another step toward escalating tensions in one of the world's most dangerous places." Former President Ford echoed their concerns and characterized his successor as "a risky gambler."

Carter attempted to mollify the credulous among his critics by ordering a moratorium on further comments about the details of a Mideast peace settlement before Israeli Prime Minister Begin visits Washington, D.C. July 18. U.S. policy is to establish a situation where the "U.S. can be trusted by both sides," Carter moralized to the press. Nobody was fooled by this sanctimonious blather. At the conclusion of the European Economic Community (EEC) heads of state summit the day of Carter's press conference, the Europeans issued a statement on the Mideast, a first step toward adopting an independent policy posture from the U.S. Pledging that it is "ready to consider participating in guarantees" of a Mideast peace settlement, the EEC called for a Geneva conference, a return by Israel to its 1967 borders, and the recognition of the rights of the Palestinians to a national homeland.

Carter's reckless provocations, necessitated by David Rockefeller's insistence on an international debt collection drive to rescue his lower Manhattan holdings, has transformed the political climate in the United States. Political commentators have described Carter's course as a political minefield, in which each new step may be the last. Informed high-level sources in Washington, D.C. report that late last week influential business leaders and political powerbrokers secretly met to review the failures of the Carter Administration, and concluded that the President has become an unaffordable liability.

The backroom discussions have reached such a feverish pitch that their content has begun to make its way into the pages of leading Wall Street press, such as the *New York Times* and *Washington Post*. One day after the Presidential press conference *Washington Post* editorialist Stephen Rosenfeld accused Carter of "taking us on a roller coaster ride" which will end in disaster. Commenting on the President's continued provocations of the Soviet leadership, Rosenfeld wrote: "'Human rights' is not just a matter of personal moralism and propaganda. It's shorthand for a policy of profound if subtle poking into the most sensitive sectors of Soviet society, the Soviet bloc and the would-be Soviet orbit. It's at once the key lever and the time bomb of his overall approach." Appalled by the "arbitrary" character of Carter's "big-stakes bargaining," the *Post* columnist faulted National Security Adviser Zbigniew Brzezinski, Defense Secretary Harold Brown, Secretary of State Cyrus Vance, "the firm's lawyer" CIA Director Stanfield Turner, and "African branch manager" Andy Young for inciting the President to recklessness. The



entire editorial board of the paper made its own sentiments known by placing Rosenfeld's comments next to an Evans and Novak column arguing that in the event of a nuclear war, the Soviet Union would lose 4 million people and the United States 70 million.

The same day, *New York Times* correspondent Drew Middleton reported that Carter's B-1 decision "represents a basic shift in the United States strategic doctrine," which has Air Force brass in an uproar over the "trend away from development of sophisticated military technology."

Even before the Carter press conference, Middleton had reported that U.S. allies, particularly in Western Europe, strenuously objected to Carter's willingness "to rattle the cage and arouse the bear.... Allied military opinion is that there has been an overall shift in the power balance... in favor of the Soviet Union," Middleton observed June 29, at a time when Carter's continued provocations threaten to ignite armed hostilities in which Europe and the United States would perish. This is occasioning some serious reappraisals of the Atlantic Alliance in European capitals, the writer concluded.

The same day, the *Washington Post* nervously elaborated Middleton's fears. In an article datelined Bonn, Michael Getler predicted that badly strained relations between the White House and Kremlin had motivated Soviet President Brezhnev "to win friends and influence governments among Washington's allies" in order "to isolate the United States from its allies." Brezhnev's visit to West Germany this fall "could introduce pressure between the two Western capitals," Getler noted, particularly in light of the already tense relations between Bonn and Washington over the issues of nuclear power, monetary policy, human rights, and defense capability. Brezhnev and West German Chancellor have reportedly already agreed that their discussions should include the subject of mutual East-West troop reductions in Central Europe, even if no SALT agreement has been concluded by that time.

Syndicated columnist Marquis Childs privately confided this week that Carter's human rights offensive has profoundly disturbed our European allies. Just back from a month in Europe, Childs reported that most European leaders believe that Carter deliberately wrecked the SALT negotiations by interfering in the

internal affairs of the East Bloc via his human rights campaign. "Carter must have known this would wreck SALT," Childs agreed.

— Barbara Barré

## State Department: Europe Is Always Nervous

*The following interview was made with a member of the State Department's Policy Planning Staff:*

*Q:* Drew Middleton had an article today in the *New York Times* warning that Europe is very upset over the Carter Administration's policy of confronting the Soviets in every hot spot. What do you think of this?

*A:* Middleton is oversimplifying things. There is a strand of nervousness in Europe about our approach to the Soviets. Any approach to the Soviets by the Administration makes the Europeans nervous. They were nervous about Kissinger. Beyond that there is a great deal of nervousness about the human rights issue, especially Germany. On the Horn of Africa and the Middle East they question our tactics. They also oppose reflating their economies.

*Q:* The Soviets are apparently pushing hard on expanding trade with Europe and vice versa. The Soviets have begun discussing the use of the transfer ruble for this.

*A:* Well, the Europeans are eager for trade and they badly need it. If the Soviets did something about the ruble, it will help, but there is a growing East European debt, although the Soviets are careful about their creditworthiness.

*Q:* Kissinger said today that trade with the East bloc should be linked to political concessions. What do you think?

*A:* He doesn't speak for this Administration. His precious linkage was not usable. My own view is you cannot bargain trade with politics.



# Conservatives Judo Human Rights Issue Against New York Bank Bailout

A coalition of conservative Republicans and Democrats engineered the passage of the House Foreign Appropriations Bill last week with an amendment by Rep. C.W. Young (R-Fla.) restricting aid to countries that allegedly violate human rights. Among the countries cited are Cambodia, Laos, Vietnam, Cuba, Mozambique, and Angola.

On the surface the action appears to be straight anti-communist hysteria, but the intent of the backers of the amendment was to cripple the ability of the World Bank and other international lending institutions in using U.S. aid to bail out the New York banks. The amendment makes the appropriation useless for the IMF and the World Bank since the charter of those institutions prohibits use of money with such restrictions.

As one conservative congressional aide put it, "We're fed up with throwing good money after bad for Chase Manhattan, and we want to stop it, but we've made repeated requests for statistics and information on Chase and the other private banks, the IMF and the World Bank, how they operate and where the money goes, but not one request has been answered. We're flying blind, in the process of getting the information we need... We want and intend to haul the World Bank, IMF, Chase Manhattan and others here this year and get some answers. We're going to get involved in these institutions directly, even though we've had no cooperation from Reuss's House Banking Committee."

The Congressional staff assistant stated that he was sorry Congress did not have a request for money for the IMF under consideration, because the IMF is used as a bail-out recycling mechanism and nothing else. "We do intend," he said, "to raise the question of why money (U.S.) is being used to bail out the banks." He added, "there is apprehension in many quarters" and "a great deal of agitation" over this question.

Simultaneously, Administration allies have indicated grave concern over the success of the Young amendment. A source close to Sen. Hubert Humphrey (D-Minn.) commented, "This stems from the fact that human rights got out of hand. We are in good shape over here because we countered it before the crisis came — it is insane in the House. Sure, the conservatives used human rights as a means of getting to the lending in-

stitutions. I told the Harkins types two years ago that this was going to happen. I told them that the conservatives will use it to hit our participation in the lending institutions to destroy them. The Rousselot types are in on this. Harkins aligned himself with the conservatives; there were trade-offs. A lot of people don't understand their motivations. The conservative side used the human rights issue to get the liberals to side with them... The Liberals don't think out well what they are doing."

The key battleground over the bailout issue will be the Senate Appropriations Committee's Subcommittee on Foreign Operations which is chaired by Daniel K. Inouye (D-Hawaii). Inouye's subcommittee will have charge over passage of the bill after the July 4 Congressional recess and be responsible for any amendments that might be added to the Senate version. A number of Senators have indicated that they intend to propose similar amendments to the one approved by the House. Carter intends to lose no time in pressuring Inouye to block such amendments. According to sources close to Senator Humphrey, they believe that they can succeed because "Inouye is very well respected and Carter will invite him to the White House and tell him that he must hold the line to save the Administration's policy or there will be disaster... You have to stroke Inouye."

Certain liberal Democrats allied with Wall Street and British banking interests have joined the attack on international lending institutions in order to create a crisis which they can use to force Congress to pass Rep. Henry Reuss' proposal for a reorganization of U.S. banking regulation for top-down control of the U.S. banking system along the lines of Mussolini's system. According to the Transnational Institute, with which many of these Congressmen are allied, part of the reorganization would effect stronger regulation of banks' overseas lending. Rep. Michael Harrington (D-Mass.) said on the House floor this week that the economic policy of lending institutions "more closely coordinates with the interests of banks, than advocates of development." A spokesman in his office said that Harrington supports the Transnational Institute report and complained, "We have little control over the international lending of the private banks."

# Some People Have Some Very Cute Tricks Underway

*The following statement was issued on June 25, by Lyndon H. LaRouche, Jr. U.S. Labor Party Chairman and Presidential Candidate.*

A section of Carter's financial backers during the last election is now moving, openly and behind the scenes, to force Jimmy Carter's resignation from the Presidency and move Vice-President Walter Mondale into Carter's place. Indications from Western Europe are that this project has at least a certain degree of support from British financial circles.

From behind the scenes, the push is coming from New York financial groups historically associated with the Baring and Rothschild banking interests, and takes the form of a gang-up against the Rockefeller-centered interests. The political footwork is coming through the Democratic Party machine centered around Senator Hubert Humphrey. The hatchwork is coming from "left-CIA" networks and "left-CIA" spokesmen such as Marcus Raskin and Professor Noam Chomsky.

We have received indications of the way the threatened impeachment of Carter is about to break into the open from authoritative and credible sources. The evidence put together inside the United States dovetails with highly relevant rumblings we have picked up in Europe.

## *The Reasons For The Push*

The forces moving with Humphrey against Carter are acting for a combination of good and bad reasons.

The best motive for dumping Carter among these circles is a desire to avoid thermonuclear war. The objective is to check David Rockefeller's power, and to get lunatic Brzezinski and his dummy Carter out before a new Middle East blow-up triggers the immediate threat of World War III.

Another motive is to maneuver the situation such that the full weight of the current monetary collapse falls on the Rockefeller interests, leaving margin for a U.S. government bailout of the combination of financial interests backing Mondale as "their man" in the situation.

Then there are other considerations afoot, mostly evil.

Naturally, all leading banking circles are lying like crazy in nearly everything they say publicly or to one another. Even banking heads in the second and third echelons of the various factions aren't being told what is actually being planned in the top circles. Nonetheless, the true state of affairs cannot be hidden — if one checks for the right signals in the right places.

The official line — the official lie — in the international banking community is, "All of us are sticking together in support of a bail-out of the New York banks. After all, if Rocky went under, we'd all go, too." In fact, the boys in the back room have operations already going into place, to pick Rockefeller's pinfeathers down to the skin, once the inevitable collapse of the Eurodollar market erupts.

*How do we know that?* It's simple. When a blowout occurs — and every top banker knows the monetary system cannot be propped up — there are only a very

few, very definite options open to any banking group which wishes to survive the collapse: the transfer ruble and the Arab Monetary Fund. Keep your eye on those two targets, and watch who is sniffing around those objectives and in what way. *That's how we know.*

Meanwhile, the bankers are all energetically lying to the press, the governments, and to one another — waiting for the moment to make their move.

The key to bailing out one group of bankers while another major group goes under is to control the Executive branch and Congress of the United States. Hence, the game is get David Rockefeller's people out, especially that lunatic Zbigniew Brzezinski and that babbling dummy, Jimmy Carter.

It's easy; Carter himself has no significant political base in the electorate.

The political base for Carter in the 1976 campaign was the Humphrey and Kennedy machines, the neo-Fabian networks of Marcus Raskin, and the rest of the "left-CIA," plus the reluctantly given but efficient backing of the trade unions. With this combination, the major urban Democratic Party machines, although privately despising Carter, went along.

Pull out the support of the Humphrey and Kennedy machines, and given the growing hatred of Carter in the labor movement, poor Jimmy Carter would find himself tearfully resigning before he knew that the action to dump him was in progress. Carter is, as Coca-Cola's J. Paul Austin reportedly informed the boys in New York City, nothing but a handpicked puppet, as disposable as one of J. Paul's aluminum Coca-Cola cans.

So far, Carter's grip has been maintained chiefly through a massive effort by the combined Rockefeller and liberal Democrat machine. The effort required to prop up Carter is becoming greater with each passing event. In short, from the standpoint of the boys in the back room, this guy Carter is a massive liability and no asset. He represents nothing and he is nothing.

For the New York and London bankers backing the Mondale option, what is wanted is a fresh start on a new "first 100 days" of a new President. The Carter Administration has lost credibility — massively — and political momentum. West Europe and Japan openly despise Carter; the Soviets openly treat Carter as a lunatic — which is difficult to rebut — and, in the USA itself, any legislation passed down to the Congress with a Carter label on it already has two strikes against it for just that reason.

A Mondale Administration, presuming that Mondale as President follows the line of his patron Humphrey, would be a Fabian fascist administration. It would push to put through Nazi-modeled slave-labor "unemployment programs," savagely gut industry, and loot the population generally. The objective of that operation would be to scratch up a massive bailout kitty for the group of bankers pushing Mondale's chances.

"But that was the domestic Carter program!" you

exclaim. More or less. The point is that Ole Dumb-bunny Jimmy Carter no longer has the credibility needed to push that Ole Program through. The boys who are just waiting to pick David Rockefeller's pinfeathers, come the monetary bust-out, think that by dumping Carter and getting a "fresh face" into the White House, they might have a good chance to push Ye Olde Bigge Swindle through the Congress — under the pressure of a monetary collapse situation.

#### *Not The Only Game In Town*

Senator Humphrey and Senator Kennedy are not running the only games in town. Nelson Rockefeller's crowd has one of the prettiest collection of dossiers a man could dream of owning. If Nelson digs down deeply enough into his archives, a lot of material some people hope had been "deep-sixed" will suddenly find its way into public print. Then there is the Whig game — which has the big card: the possibility of securing a package-agreement with the Arabs and Soviets.

On the Whig side, if certain industrialists needed to learn that lesson, the 48-hour emergency mobilization by certain AFL-CIO and other labor leaders around the Clinch River breeder reactor proves that the trade-union movement is the decisive margin of political power in the United States. If industrialists and high-technology farmers, together with the corresponding political combinations, move as a unit for an alternative economic policy, Senator Hubert Humphrey would be compelled to begin representing the industrial and agricultural interests of Minnesota, rather than scheming to impose fascist schemes upon the United States.

The chief problem at the moment is that only a small portion of the industrialist, farmer, and trade-union leaderships have paid serious and competent attention to the monetary-economic issues. We Whigs are fairly solid on the energy issue, but only a fraction of the Whig leaders have caught up with the importance and urgency of the establishment of a new monetary system.

For example, tens of billions of dollars of union pension funds are presently sitting in Chase Manhattan and other banks which are on the verge of a chain-reaction monetary collapse. Billions of those pension funds and other savings are already lost through the New York City and similarly unsalvageable swindles. Some industrial interests have their financial positions hanging out for the big chop in the same way.

Meanwhile, the Carter Administration and Arthur Burns are printing money at rates in the order of 20 percent annually in a shrinking economy, while New York bankers' austerity demands for indebted Third World nations are collapsing world and U.S. basic production levels and producing, as a result, a whopping balance of trade and balance of payments deficit.

When the trade-union leaderships and more of the industrialists wake up — at last — to the economic reality, and ignore the wild lies pouring out of an hysterical New York financial community, we can pull those forces together.

Until that happens, unless Nelson Rockefeller digs into his files and begins publishing Quaint Facts About Certain Fabians, it appears that Carter is going to make a tearful resignation rather soon, and a sleepy-eyed President Mondale will be grinning at you from the boob-tube.

## Congress Threatens Carter With 'Constitutional Confrontation' Over Breeder

Senate Minority Leader Howard Baker (R-Tenn) warned Jimmy Carter late last week that any move from the White House to unilaterally phase out the Clinch River fission breeder reactor program will provoke a full-fledged "legal or constitutional confrontation."

Conservatives in Congress — hard-pressed by industrialists and a U.S. Labor Party-mobilized trade union movement — have already set the stage for such a confrontation with the Administration. On June 27, the Senate Energy and Natural Resources Committee voted 12-5 to fund the breeder reactor at \$150 million, in contrast to the Administration's worse-than-nothing \$33 million. Now all four committees with primary jurisdiction over the Energy Research and Development Administration's (ERDA) nuclear energy budget — the Senate Energy Committee, the House Science and Technology Committee and both the House and Senate Appropriations Committees — have recommended funding at a level exceeding nearly five-fold the amount Carter threatened to veto.

Sen. Baker's warning of a constitutional crisis is the public side of the largely backroom-based anti-Carter bloc which, according to knowledgeable Capitol Hill sources, has "chosen the breeder to fight and defeat the Carter Administration." This bloc, mostly conservative Republicans and southern Democrats, tactically allied with some liberal Democrats dissatisfied with Carter's bankrupted foreign policy, is now thrashing out whether or not to use the upcoming vote on the breeder to Carter-gate the Trilateral Commission's puppet President.

A recent ruling by the Government Accounting Office (GAO) gives Congress all the legal ammunition needed to carry out impeachment. The ruling, made at the request of Senators Henry Jackson (D-Wash) and Baker, states that in the GAO's opinion the Administration "lacks the legal authority to implement the President's plan" in that it preempts congressional prerogatives. Carter may have violated federal law by demanding that Congress eliminate the breeder program before repealing the original statutes, which authorize the government

to continue funding the Clinch River project until it is fully commercialized. Baker called this ruling "devastating," the June 27 *Wall Street Journal* reports.

#### *Vote Postponed*

While Congress has its finger on the trigger, it has thus far been unwilling to pull it. The full Senate vote on legislation to appropriate funds for ERDA's nuclear budget, including the breeder program, was first scheduled for June 29 but was postponed one day following heavy pressure from Carter backers, who, according to one White House source, felt that "Carter's ass would be roasted" if the vote had occurred. Conservative congressmen regrouped and agreed to bring the fight to a head before the July 4 recess began July 1. Rescheduled for June 30, the vote was again postponed on the initiative of Senate Majority Leader Robert Byrd (D-W. Va.) who was desperate for more time to organize Congress around the Administration's kill-the-breeder program. Now the floor vote will not occur before July 11, when the Senate Energy Committee's authorization recommendations will be voted on.

#### *Deal?*

The main danger facing the anti-Carter bloc is foolhardy compromise. From the start, a primary strategy of the Administration has been to pit fission against fusion. While the breeder reactor, a form of fission power, is an important transitional source of energy, only unlimited fusion power can supply the vast amounts of energy needed by a highly industrialized world economy.

Already, the very same congressmen who voted for the five-fold increase over Carter's proposed breeder budget — itself a compromised figure compared to President Ford's \$237 million budget request — totally capit-

ulated when it came to fusion energy. All four committees earlier cited for their jurisdiction over ERDA's nuclear budget gave full support to Carter's lethal near-20 percent cut in the fusion budget.

While several congressmen say they will stage a floor fight to increase the fusion budget, most are stupidly insisting that the energy battle can be won by fighting one issue at a time, and that they have chosen the breeder as their single weapon. Carter has upped the ante by submitting his 1979 fusion budget request to ERDA with an additional 8 percent cutback, a source in the Senate Energy Committee disclosed.

This "spirit of compromise" leaves the congressmen vulnerable even when it comes to the breeder. Sen. Frank Church (D-Id), who chairs the Senate Energy subcommittee with jurisdiction over the breeder, is championing a \$75 million compromise on funding for the breeder — an amount which he admits would mothball the project for two years — and in fact would kill it. Church, in no way committed to developing the breeder for its scientific and technological advantages, speaks for a faction of "liberals" who are using the breeder fight to ditch a discredited Carter so that they can more expediently push their own fascist austerity program.

In contrast, conservative congressmen like House Science and Technology Committee Rep. Olin Teague (D-Tex) base their support of the breeder on its technological role in solving the energy crisis. In a letter to the *New York Times* published today, Rep. Teague, joined by Rep. John W. Wylder (R-NY), attacked the paper for having "uncritically swallowed the Administration's arguments" on the breeder and for promoting "nuclear isolation" abroad. Just returned from an oversight trip to Europe, the congressmen wrote, "In our meetings we did not find any officials who claimed to understand the Carter position."

## Rocky's Hacks Plot Intelligence Takeover

The Nelson Rockefeller-Henry Kissinger clique of finance capital is promoting a campaign to centralize the United States intelligence apparatus under the incompetent Admiral Stansfield Turner. If their traitorous scheme succeeds, Turner will be named "Director for National Intelligence," in charge of the National Security Agency (NSA), the National Reconnaissance Office (NRO), the CIA, as well as the counterintelligence section of the FBI and the intelligence analysis groups at the State Department and Treasury.

To facilitate this plot to control strategic intelligence estimates and policy, overseas operations including counterintelligence, and covert action, Rocky's flunky Secretary of Defense Harold "B-1" Brown is being assigned to contain strong Whig opposition at the Pentagon to the takeover scheme. Brown is promising the Defense Intelligence Agency (DIA) that it will remain "independent" — that is, it will report directly to him! He is also offering certain concessions — like the recent

appointment of General Keegan-linked head of Air Force Intelligence Eugene Tighe as chief of the DIA — and boondoggle bait, including production of the already obsolete B-1 bomber.

#### *The Story Is Out*

The story on Turner's power grab surfaced in the June 20 issue of *Time* magazine in an "exclusive spread" which according to informed sources was prepared and leaked by forces allied with Nelson Rockefeller and Henry Kissinger. *Time* proudly declares that "the creation of an overall Intelligence Czar with Cabinet status is being considered favorably. This intelligence boss would supervise the budgets of all the intelligence agencies, including those of the military." In an effort to give Rockefeller insider Harold Brown a cover with anti-monetarist groupings in the Pentagon, *Time* adds: "Congress and the White House must still work out how much control the new Czar should have over military

intelligence officials. A gentlemanly argument is developing between Turner and Defense Secretary Brown over this.... But some trends are clear. The Director of Central Intelligence will be strengthened: his control over budgets, assignments, and the collection of information will be tightened; and he almost certainly will be Admiral Stansfield Turner."

Since then, the same story has appeared in the *New York Times*, the *Nation* magazine, and the *Washington Post* — uniformly couched as a bureaucratic power struggle that Turner is winning.

The Senate Select Committee on Intelligence, formerly known as the Church Committee, is also a party to the Turner takeover bid. The Committee's chairman, Sen. Daniel K. Inouye, who had heretofore been blocking with the Pentagon and the CIA "old boys" against the Rockefeller centralization schemes, buckled and gave a ringing endorsement of Turner, and declared his support for an Intelligence Czar in a speech before the intelligence community at Langley, Va. on June 17. Inouye declared: "Under Stan Turner's leadership, the intelligence community, I am certain, will continue to serve the country with distinction.... I believe statute should establish a Director for National Intelligence subject to the direction of the President and the NSC, who would set priorities for, allocate resources to, and have responsibility for, the NSA, the NRO, and the CIA.

Rockefeller intelligence community hatchetman Ray Cline, presently stationed at the Center for Strategic and International Studies (CSIS) in Georgetown where Henry Kissinger is also holding forth, divulged in an interview this week that "I'm acting as an unofficial consultant to the Senate Intelligence Committee.... I'm fairly happy with the centralization plan the Committee is coming up with."

Another Rockefeller running dog, Peter Szanton, former head of the Rand Institute of New York, also commented favorably on the development, noting that the plan that is emerging from the Senate Intelligence Committee is similar to that suggested by Frank Church and Kissinger front man Tom Braden last year.

The other major financier faction, grouped around Lehman Brothers, Goldman Sachs, and the Meyers (Lazard Freres) — who refer to themselves as "Our Crowd" — are nervously acceding to the Rockefeller move. To protect their own position and their Fabian private intelligence operations, however, they are demanding that the Senate Select Committee on Intelligence legislate a charter for intelligence agencies. In a June 22 editorial, "The Wrong Debate About Intelligence," the *New York Times* tacitly endorsed the control of the intelligence apparatus under a "super-director," but demanded: "The Senate Intelligence Committee promised to produce charters for the intelligence agencies. It should immediately turn to that task. The Church Committee left the blueprint for a charter that would limit the CIA to foreign operations, severely restrict and control covert activities...shut down the political intelligence work of the FBI, and carefully circumscribe its preventive intelligence activities." They are also obviously anxious to protect and promote the power of their own boys in the Administration — Walter Mondale, Cyrus Vance, Andrew Young, and Bob Bergland.

There is a lot at stake for the Rockefellers and their "Our Crowd" financier competitors in the intelligence takeover plot. First and foremost, they are driven to try to cover up the real strategic situation that exists between the USSR and the United States. In recent months leading figures connected to the Defense Intelligence Agency, including General George Keegan, Daniel Graham, and forces at the American Security Council (ASC) and in the so-called "old boys" networks of the CIA, have reported the considerable Soviet nuclear war-fighting and technological superiority over the U.S., and have been pushing for the fast breeder reactor and the development of nuclear fusion power to try to close the gap.

Throughout this fight Rockefeller's hacks in his intelligence takeover bid, Turner and Brown, have insisted that there is "rough equivalence" between the U.S. and the Soviet Union. Both have also admitted that they oppose a strategic war-fighting posture that seeks to ensure that the Soviet Union would not emerge as a viable nation in a nuclear conflict. In fact, the foolish monetarist Turner has not only depicted the Soviet Union as a 19th-century Czarist imperialism, but also preposterously claims that the United States is *technologically superior* to the Soviets! Turner is on record as an advocate of the insane "aura of power" approach to international politics, a strategy that substitutes a Big Bluff for real economic and political strength.

An article titled "America's 'Super-Spook' at Work in a Lion's Den" in the June 26 *Washington Post* revealed considerable opposition building to Turner within the CIA itself. The story reveals that it was Turner who was behind the big hoax CIA report for Jimmy Carter which postulated a massive energy crisis and ridiculously claimed that the Soviet Union would be oil importers by 1985. According to the *Post*, many within the agency disputed Turner's claim and criticized him severely. The *Post* quotes a "long-time CIA employee" as saying, "The CIA is a very unhappy, uncertain place. I question whether Turner has the intellectual depth for his job."

The *Post* notes that "The critics insist Turner has limited their access to him, and they object to many of the 't-grams' he sends around the huge CIA headquarters from his seventh-floor office."

Turner is still Nelson's boy all the way. His chief sponsor is Rhode Island Rockefeller Republican John Chafee, a man whose law firm has in the past directly serviced Nelson and his family. A member of the Rockefellers' Council on Foreign Relations, Turner owes his career to the Rockefellers in a manner similar to the case of armchair general Alexander Haig. In 1969 Chafee, then Secretary of the Navy, brought Turner in as his assistant and later set him up as head of the Naval War College in Providence, R.I. Sources close to Nelson Rockefeller and to the intelligence community say that Rockefeller and Kissinger are building Turner to replace the total flop, David Rockefeller's Zbigniew Brzezinski, as the top Rockefeller dog in the Carter administration.

# 'Franklin-Hamilton' Tour Rebuilds Whig Coalition

*Nancy Spannaus, a National Executive committee member of the National Caucus of Labor Committees, and co-author of the just published Political Economy of the American Revolution issued the following report detailing her mid-west organizing tour among the emerging Whig political forces.*

It didn't bear much resemblance to the Boston Tea Party, but the 5000-plus trade union demonstration for nuclear power, held last week-end at the Seabrook nuclear plant at Manchester, New Hampshire, marked a new stage in the revival of an American movement for progress. This movement, which traces itself in a direct line from American founding fathers Benjamin Franklin and Alexander Hamilton, has been catalyzed into being over the past few months by the U.S. Labor Party. Now, alerted to the heritage of industrial progress and scientific humanism on which the American republic was established, a coalition of the U.S. Labor Party, conservative Republicans and oldline Democrats has brought the trade unions into motion. If this movement consolidates under the leadership of the Labor Party, it can soon retake the country from the deathgrip of the Rockefeller cancer.

This is the inescapable conclusion to be taken from the sharp rebuff the American population has given to Carter's energy program over the past few weeks. More immediately, the coalescence of a new American Whig movement is visible from the reception given to this writer in her recent two-week tour of the nation's industrial heartland. In Illinois, Wisconsin, Michigan, and Ohio the Whigs' response to the Labor Party's call to revive the spirit of Franklin and Hamilton shows that the combination that can oust Carter and Rockefeller is ready to move — as soon as a national coalition leadership puts itself out front and gives the command.

## *Anatomy Of A Movement*

"You don't really think you're going to be able to impeach Carter, do you?" asked an editor of one of the major Cleveland newspapers. "Absolutely yes," I replied. "If all the groupings who are disgusted with Carter on some particularly revolting aspect of his program would look beyond their noses to the root of the problem, and to the solution as it appears in Alexander Hamilton's National Bank proposal, for example, we could move to start impeachment proceedings on one of Carter's many treasonable offenses by next week."

The editor himself had been so outraged by Carter's vote fraud in Ohio that he had published adequate damning evidence for impeachment of David Rockefeller's personal emissary in the White House. But

his problem was typical of that which arose among the Right to Lifers, American Independent Party members, Reagan Republicans and conservative Democrats who are organizing against Carter throughout the Midwest. They have not yet grasped either their social force, nor the kind of economic development program which can bring them out of the opposition into power.

Let's scrutinize the potential and weakness of each element of this anti-Carter coalition.

*The Right-to-Life Movement.* The Right-to-Life movement is an extensive national grouping that is uniformly anti-Rockefeller. Since its leadership is looking for a political means of fighting the Rockefeller bestiality which expresses itself in "movements" for forced sterilization, forced abortion and the "right to die," it invited me to speak on zero-growth economics at its national conference. But a large portion of its less educated base is fixated on the question of the fetus itself. In the panel which I addressed at the June 16-20 Chicago conference and at the Labor Party's literature booth there, I posed the issue as follows: are we going to counter Rockefeller's attempt to *abort America and all humanity* with policies of Nazi cost-accounting and genocide, through implementation of the Franklin-Hamilton program for developing skilled labor power and a National Bank? If Rockefeller is going to be stopped, you must join with the Labor Party and its allies. If you fail to challenge Rockefeller's worldwide Nazi program and its figurehead implementor James Earl Carter, you will never succeed in stopping Rockefeller's murders.

Increasingly the conference polarized itself on precisely these questions. In the panel itself — which I shared with a doctor who attacked Supreme Court decisions on abortions as unconstitutional and a welfare mother who demonstrated the federal government's preference for funding abortions over housing, education and jobs — one woman raised her hand to object that the panelists were going beyond the issue of the unborn child. She was answered vigorously by several other members of the audience. Equally significantly, a young male Carter supporter felt he had to stand up and plead with the audience to "give Carter a chance." There was no applause — and several members of the audience instead rushed up to the panel to discuss where they could get literature on how to defeat Rockefeller's puppet.

The 3000 participants in this national conference — who bought \$230 worth of programmatic Labor Party literature and 80 of whom gave the Labor Party their names — are by and large members of the growing Whig coalition. Many individual members have already joined with the Labor Party on the vote fraud and energy fights. But, as in all special issues movements, there is a

significant Rockefeller penetration, in this case operated through devotees of that pot-smoking "Catholic" Bill Buckley. These Rockefeller agents can be identified by their refusal to discuss *anything* but fetuses — as if the murder of a billion individuals through slave-labor camps, holocaust, or war were inconsequential compared to abortions! While the Labor Party and the Right to Life movement disagree on the point when the physical child becomes human, can anyone pose as being "pro-life" while ignoring the wanton mass murders which Rockefeller's incompetent, bestial control over the world's economy has caused?

*The American Independent Party.* The second leg of my tour took me to Wisconsin, where the vise of Fabian "liberalism" has controlled the Democratic and Republican Parties sufficiently to push a considerable portion of pro-progress Wisconsinians into the American Independence Party (AIP). Since the failure of the Wallace movement, many sections of the AIP have been moving rapidly toward the Labor Party on a national level, worked with the Labor Party on the vote fraud issue, but generally held back on official commitment to an alliance on the basis of a program to replace Rockefeller rule.

While Saturday night customs, among other things, kept conservative Republicans away from the well-publicized Milwaukee forum I gave on the need to revive the ideas of Franklin and Hamilton today; about 5 AIPers joined the 15 Labor Party and Labor Committee members in the event. Their social composition is instructive: a UAW member, a former member of the Socialist Workers Party who runs a small chemicals firm, a fiery local organizer, an "America First" organizer against regionalism and busing, and a businessman who works as a party official. What united them was a deep-seated conviction that the American Constitution must be a weapon against the Fabian programs of deindustrialization and social control. They believed in industrial progress, but to them the solution was verging on the anarchistic — destroy big government, back to the grassroots.

Their problems with a genuine Whig program were predictable: suspicion of effective government action on national economic development (as actually carried out in Hamilton's first National Bank) and hostility to the Soviet Union. But nowhere in the Midwest was the reception to the challenge of Franklin and Hamilton more lively. The first question — what is a republic? The second question — why isn't a national bank just like socialism? The third question — why isn't trade with the Soviet Union merely a theft of wealth from the American people? In grappling with each question they were brought back constantly to the problem of how to achieve industrial progress, which is the necessary condition for increasing human freedom and creativity, and the necessary basis for international relations if World War III is to be averted.

The most exciting portion of the discussion dealt with the question of Karl Marx and the Soviet revolution, when they began to understand the connection between Marx's unsuccessful call for a capitalistic revolution in Germany in the 19th century, and the fact that the working-class movement had to substitute itself for an

industrial capitalist class in the Russia of 1917. It was not surprising, therefore, that within one week after this discussion, the statewide AIP organization is meeting with the Labor Party to discuss possible joint action around the National Bank program and the American system of development. The AIP is ready to move.

*The Conservative Republican Movement.* Since Gerry Ford's capitulation to the Carter vote fraud in November of 1977, it has become painfully clear that there is no national Republican party — even to the extent of fighting for its own existence as a political machine. What there are instead are local machines — to defend certain industries, to support an individual such as Ronald Reagan, to oppose certain Democratic Party atrocities such as the universal vote fraud legislation. These Republicans are beginning to internalize the urgency of the current situation to the point of using the Labor Party against their Rockefeller-controlled Republican opponents, and considering more lasting alliances. It was largely due to this motion that four major newspapers, and one small town paper, had editorial meetings with me — three of them Republican and two on the lookout for what the Republican coalition might be up to. Three major radio stations and two TV stations also broke the blackout on the founding fathers.

This base of Republicans is anti-Rockefeller, and with the aid of Chase Manhattan Senator Jake Javits, increasingly aware of Rockefeller's personal plot for plunder against the national welfare. They tend to announce beforehand that while they agree with the Labor Party on certain issues — vote fraud, nuclear energy — they cannot accept our analysis of Rockefeller's global strategy of total economic depression, or war. They sound like they are prepared to be an eternal, if vehement, opposition force, but reality has brought them to look for solutions as laid out by the most knowledgeable heirs of Franklin and Hamilton, the Labor Party.

In Cincinnati, the last stop on my tour, the event was cosponsored by the Hamilton County Republican Club, a group to whom RR means their hero Ronald Reagan, not the Rockefellers and Rothschilds' conspiracy, as identified by the independent conservatives. Over 15 of these Republicans joined an almost equal number of Labor Party and Labor Committee members to discuss a return to a labor-industrial alliance for industrial progress. The crowd was spiritedly anti-Rockefeller and pro-Constitutional, but had tremendous difficulty accepting the necessity for international economic collaboration with the Soviet Union and the Third World. Years' worth of paranoia against foreign governments combined with facts known about Rockefeller sponsorship of "world government" schemes and certain industrial projects in the Soviet Union to turn these Republicans inward on America, an act of virtual suicide under the conditions of Soviet-European-Arab action against Rockefeller. "Beware of aiding our murderous enemies, Labor Party," concluded the Republican cosponsor of the event, as his constituency gobbled up books on the American Revolution and Federalist foreign policy.

The receptiveness is only going to increase. The woman who showed the most fear over collaboration



with the Soviet Union approached the table afterwards to ask more questions. When she was told that she should read the *Case of Walter Lippman* to fully answer her questions, she shook her head. "I used to listen to Walter Lippman all the time, and I disagreed with all his conclusions. I'd never buy anything that was for Walter Lippman." "But this book is an attack upon Lippman as the epitome of Rockefeller foreign policy," a Labor Party member replied. "Oh," replied the woman, taking a five dollar bill out of her pocket. "Then I'll take it right away."

#### *The Role of the Working Class*

The groupings described above — as well as numbers of pro-technology conservative Democrats and a quickly expanding faction of the Nation of Islam — have taken untraceable steps toward discovering and acting upon their real roots. For the black population and its most respected leadership, the Black Muslims, the CIA's "roots" ploy immediately backfired, sending them rapidly toward the Labor Party to discover their actual genesis in the fight for scientific and technological progress. The other groupings, despite their heavy middle class social composition, have firmly rejected the Carter-Rockefeller zero-growth "liberalism" in all its shapes and sizes.

None of these movements, however, can be forged into an effective American Whig movement without the solid weight of the country's trade unionists, the working class, behind it. Some of these unionists will come into the Whig Coalition through their own institutions, such as the Building Trade Unions who have been in the forefront of the fight for nuclear power development and the Teamsters union, still the unremitting enemy of the Rockefellers because of its strength of organization and commitment to progress. Many more will form the base of the U.S. Labor Party itself, putting their muscle directly behind the intellectual leaders of the movement to revive the American system.

The most striking example of the shape working-class participation will take is evident in Detroit-Flint, the only location in the Midwest where workers formed a substantial portion of the forum audience during the tour. Of the 15 or 20 workers in the 90 person audience, most were autoworkers — the acknowledged leadership of workers with the guts to fight the UAW's "chew them up with drugs and 70 hour work weeks" labor policy and fascist political policy. The Teamsters present perform a similar political role. Through the use of ideas put forward in political literature such as *New Solidarity*, these individuals have created a Labor Party institution that already performs a powerful kicking role to its elected representatives, and is ready to swing more powerfully and visibly behind a national Whig alliance.

The effect of solid Labor Party organization throughout the country has been the apparently invisible effect of forcing Congress not to swallow Carter's energy policy or Rockefeller's bailout dreams. In the case of the Seabrook demonstration, however, the effect is out in the open. The Seabrook demonstration's "leaders" in a group called the Voice of Energy, openly announced its desire to have a small, "apolitical" demonstration. The Labor Party, however, carried out a two-month long

campaign to build the demonstration, working particularly actively with the Massachusetts and Connecticut Building Trades Unions. Large delegations from those unions, in addition to the smaller representation from 15 other states, swelled the demonstration to more than 5000, despite rain. The Labor Party had simultaneously built the climate for the demonstration with its active public organizing against the Institute for Policy Studies terrorist groups who still threaten the Seabrook construction, organizing which resulted in major press coverage throughout New England, in particular. The sponsorship of the strongly pro-nuclear (not just pro-Seabrook) demonstration was unquestionable to the press and unionists there, despite action by the march's sponsor to prevent the Labor Party from marching or speaking. Labor Party spokesmen were heartily hailed by New England unionists for its success, and the press sought several interviews by Labor Party spokesmen.

It should not be surprising that the so-called "craft" unions have been the ones to respond as institutions to the Labor Party call for a Whig alliance for the American system of technological progress. These are the unions, who, as compared with the industrial unions, have had the highest standard of living and seen the most rapid advances in technology in their areas of the economy. While the likes of the UAW were fighting for jobs for everyone at the menial, back-breaking level that typifies the auto assembly line, many members of the building trades and teamsters unions were being trained to the level of skilled engineers and maintaining a quality of culture that the UAW or USW worker has never dreamed possible. Despite the failings of these unions to wage a political fight for capital-intensive and science investment on a national scale, their members have been left with a sense of identity as skilled, educated workmen which allows them to understand what many of the Republicans still do not — what the American population must fight for.

#### *A Whig Program*

The explicit purpose of the Labor Party's revival of Hamilton and Franklin has not been to arouse the sentiments of the nation, but to reacquaint and educate the nation with the scientific method and programs which these men used to create America. With the exception of John Quincy Adams and Abraham Lincoln, the Whig movement has never again reached the heights of Benjamin Franklin. Whereas Franklin's goal and method involved organizing an *international* movement for industrial capitalist republics, his followers all too regularly constrained their horizons to the "good ol' USA." Whereas Franklin and Hamilton both based a program for industrial development on *national* institutions and the expansion of the productive powers of labor as the chief source of national wealth, their heirs picked up the ignorant Jeffersonian slogan that "the government that governs least governs best," and pit capital accumulation *against* the necessity for increased living standards for the working population as a whole.

All the essential elements of the political-economic science pioneered by Franklin and Hamilton are encapsulated in the current LaRouche proposal for a



private International Development Bank and a Third National Bank for the United States. But the clearest route to understand those principles lies in understanding the reality of the development of America.

The worst block we face in creating the coalition to oust Rockefeller-Carter is not in fact the Rockefellers. They are an incompetent grouping of clever beasts, who can't conceive of how real economic or political processes work. Nor are the Rothschilds, who have been at their monetarist dirty work for a few more hundred years, any more the problem. The problem lies instead in the unwillingness of the American people up to this very point to organize themselves around an alternative, and tested, program for national development.

The problem is perhaps most sharply identified as a "Jeffersonian problem." Today's Jeffersonians generally share with the historical individual a drive for republican liberties and a fundamental appreciation of the role of universal, scientific education, but they consider the hallmark of their Jeffersonianism to be something other than that. Their image of Jefferson is the man of the opposition, the champion of the Bill of Rights, the author of the Declaration of Independence, the vehement opposition to a program of national banking and manufacturing during the early 1790s. Jefferson himself gave up the role of the "opposition leader" during his presidency, proceeding in fact to fill out Hamilton's program through a system of internal improvements tax money for education, and protective tariffs for industry, the program later dubbed the

American System. Many of our Jeffersonians have not.

The Reagan Republicans can serve as a classic case. Their dream of success takes the form of the occurrence of a new constitutional convention — to redo the work of the founding fathers in terms of the modern corporation, and other changed circumstances. A noble sentiment, but the kind of tactic which ignores the basic *and adequate* constitutional commitments to republican forms of government appropriate to industrial capitalist progress, and hence obscure the powerful weapon the American people have *today* to oust Carter from office and reinstitute a program of national and international sanity and progress. Just as Jefferson originally argued that the National Bank could not be established because there was no specific authorization for it in the Constitution, so this Republican tactic serves to deny the basically positive content of the law as embodied in the Constitution. We cannot afford to wait for a blueprint document in the future; the Constitution is adequate to save the nation from destruction *now*.

We are well on the way to solving this problem, but our time is limited. If the germ of a new monetary system is not formed soon along Hamiltonian principles, if Carter or any other monetarist pawn is allowed to remain in office and pursue monetarist looting policies against this nation and the world, this nation is likely to be condemned to obliteration by war. Franklin and Hamilton provide us excellent models, but we are the ones who must forge an industrial-labor alliance, before it's too late.

# New Congressional Watergate Unit Authorized

Capitol Hill sources are wondering if the Watergate Prosecutor has returned to Washington. Last Week the Senate suddenly passed a law establishing a special prosecutor to investigate actions of the President, Vice-President and Cabinet, should the Attorney-General decide evidence exists indicating illegalities in the Executive branch. Observers note the Senate move is not unrelated to the growing bi-partisan dissatisfaction with the Carter Administration; the bill, passed by an overwhelming 74 to 5 vote, had been lying dormant on the Senate desks for several years...

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A backroom meeting reportedly took place last week where a number of the President's top supporters met to reevaluate their man. The consensus of the meeting according to those in the know, is that Carter is now considered a liability. . . . Coinciding with this meeting a number of newspapers are reporting that Vice-President Walter Mondale has been well prepared to take over the Presidency if necessary. Declared *Newsday*, "If the office of President should become vacant tomorrow, all the threads of information that a new President would need to carry on would be in Mondale's hands..."

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Senator Jake Javits has just left for a Middle East tour, stopping primarily in Israel and Saudi Arabia. Javits wants to revive Henry Kissinger's shuttle diplomacy, and to regain some U.S. leverage in the area. Georgetown University sources close to Kissinger report that "Javits has been a Kissinger man for a long time. Everybody loved Kissinger, both the Arabs and Jews."

Sources close to Javits report that his office is extremely critical of the White House foreign policy and the approach of National Security Council Director Brzez-

inski. "We are not even sure the administration knows what their Africa policy is. Their Cuba, Korean and Middle East policy have not been handled well. Their foreign policy has no cohesiveness. With Kissinger there was a gameplan, a conceptualization, an overall concept. There is none of that now. The parts don't fit into a

## WASHINGTON WEEK

grand view." Alas, lamented this Kissinger admirer, the White House has major difficulty bringing back Kissinger publicly.

And so Henry Kissinger met quietly with Jimmy Carter last Thursday afternoon...

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The House International Relations Subcommittee investigation into illegal Korean CIA activities in the U.S. still has Kissinger under fire. People familiar with the investigation report that the subcommittee headed by Congressman Fraser (D-Minn) is investigating how much the Executive branch, particularly Kissinger, knew about Korean CIA activities in the U.S. ...

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Speaking of Korea, highly informed sources report that there is a burgeoning love affair between James Earl Carter and North Korea's unchallenged leader and sometime Peking ally, Kim Il-sung. These sources report that shortly before his inauguration Carter took the unprecedented step of initiating contact with Kim, informing his new-found friend of his plans to withdraw U.S. ground troops from South Korea, and offering his good services to help improve relations between their respective countries. Contact has been made between the two countries, these sources report, in what Mr. Carter hopes will fit his

attempt to establish an alliance with Peking against the Soviet Union.

The Carter Administration's attraction to North Korea was inadvertently revealed by Richard Holbrook, Assistant Secretary of State for Asia and the Pacific, before a Magazine Publisher's Association audience last week. Holbrook told the publishers: "The period, which is the period of our containment of China and our opposition to North Korea and North Vietnamese efforts to extend their control, has clearly ended." This rather startling reference to North Korea, missed by American listeners, was picked up by an astute South Korean journalist and blasted across the front pages of that country's press. Subsequently at a background briefing on Vance's recent Asian policy speech, Holbrook was confronted by a Korean journalist with his statement. Holbrook blustered that he had been "misquoted by the Korean press." The journalist then offered to play him a tape recording of his address — Holbrook refused the offer, changing his tune to say that he had been "quoted out of context." One thing is for sure, the South Koreans are watching the Carter Administration's gestures to their North with an eagle eye and may be planning some gestures of their own — perhaps to the east.

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James Schlesinger is reported to be writing a blueprint for U.S. response to a "sudden energy emergency," including a detailed plan for rationing oil and gasoline and an import quota. Meanwhile Congress has been told by House Speaker Tip O'Neill, to report on the Carter energy package to the Special House Ad Hoc Committee on Energy. Schlesinger's program, to be implemented through the Energy Department Carter will sign into law next week, could be triggered by a new Middle East war — or a decision that the current energy program has flopped.

# 20th Century Fund Fields New Pension Swindle

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## SPECIAL REPORT

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A report issued by the Administration-linked Twentieth Century Fund last March, *Union Pension Fund Asset Management*, recommends that all remaining union control over pension funds be ended in favor of "a federal takeover of the management of union pension funds or a reorganization of fund boards to include independent, third-party trustees or to force management trustees to assume the active role envisioned by the framers of Taft-Hartley."

Put forward as the solution to "flagrant abuses" by the Teamsters' Central States and other largely union-administered pension funds, these recommendations would open up union pension funds to the most flagrant abuse in their history. The Fund's intent is to place some \$35 billion in union pension assets at the full discretion of "outside" managers—New York-centered financial interests who desperately need all the funds they can get their hands on for various bail out operations.

As one indication of what is being planned for pension funds in the back rooms on Wall Street, EIR learned recently that one leading New York investment bank was investigating the legality of investing public pension funds and retirement systems in the debt offerings of foreign corporations — a hitherto unheard of practice.

However, several years ago no fiduciary would have dared to invest in the x-rated bonds of a bankrupt municipality like New York. Then a number of Wall Street lawyers, including Robert Preiskel of Fried, Frank, Harris, Shriver, and Kampelman, did the legal footwork which freed the trustees of the New York municipal pension funds to invest the monies entrusted to them in MAC bonds with impunity. Now the MAC operation is being planned on a grand scale.

The Twentieth Century Fund report itself hints at the purposes which union pension funds will be applied to — if the swindle succeeds. According to the report, one unintended side-effect of the Employee Retirement Income Security Act of 1974 (ERISA), also known as the Pension Reform Act, was to stop most investment by union pension funds in "socially responsible" investments — ghetto rehabilitation, job creation, etc. But now that there is a shortage of funds for creating union-busting public works jobs and for servicing the debts of bankrupt cities or "rehabilitating" inner cities just enough to protect crumbling mortgage values, there is a great demand for pension funds in "socially responsible" investments. "Congress should reconsider whether or not it really wants, through ERISA, to block

union pension funds from investing in ways that create jobs for union members," the report recommends. "As a preliminary step, Congress or the Department of Labor should undertake a detailed study of the construction industry to find out just how dependent the industry is on loans from union funds, just how widespread the abuses are when union pension funds make such loans, and whether or not there is any effective legal system under which such loans can once again be made."

In view of the New York banks' own near bankrupt condition, it's not hard to conceive that the banks are presently devising ways of using pension funds to bail out their shakiest operations — for example, their uncollectable Third World loans. In an interview with EIR, Professor Roy Schotland of Georgetown University Law School, a noted pension "expert" and the director of the Twentieth Century Fund union pension fund report, said that bank trust departments couldn't possibly be investing pension funds in the corporate obligations issued by countries heavily in debt to the banks — though investment in bank stocks might be conceived as a way of indirectly refinancing the debts.

Many trade unionists around the country are understandably worried about the way "outside" managers, by and large bank trust departments, are presently managing their pension funds. Undoubtedly these unionists remember what came to light in the wake of the Penn Central bankruptcy — the fact that the various banks and investment banks which had been the railroad's creditor and knew it was going bankrupt were quietly unloading their own shares of the stock, and selling it off to their trust department customers! With virtually every economist now predicting a new recession to hit by next year at the latest, the banks can be counted on to try the same thing on a large scale.

This classic depression swindle is precisely what was going on behind the scenes in the New York City crisis — the commercial banks quietly got out of the worst of their New York City notes only later to pawn off Big MAC bonds on the union pension funds.

The switch from internal to "independent" outside management took place in the wake of ERISA and the barrage of newspaper stories by the New York Times' Lee Dembart and other labor writers on the alleged abuses by the Central States pension fund. The main aim of ERISA was not to insure the benefits of retiring workers, though the legislation purports to enforce fiduciary responsibility, guarantee benefits and so forth. The July 4 *Business Week* reports that two California Multiple Employer Benefit Trusts recently folded because ERISA forbade regulation of the funds by state authorities and thus actually led to skimping by employers on contributions. The real aim of the Sen. Jacob

Javits-sponsored Pension Reform Act was to give the Labor Department and I.R.S. "finger-tip control" over some \$150 billion in total corporate (company-managed) and union pension funds. For years Wall Street money managers had complained that there were no adequate figures on the number and assets of union pensions. The 1976 edition of *Money Market Directory*, the most comprehensive listing of U.S. financial institutions and their assets, noted that union pension fund assets were largely undisclosed. ERISA was designed to give Labor and IRS full purview of the monies and where they are invested. Under the provisions of ERISA, the Department of Labor was to begin compiling data on pension fund assets by mid-1977.

Among the specific regulations enforced by ERISA, all dealings between pension funds and "parties of interest"—employers, unionists, who are beneficiaries—were prohibited. ERISA prohibited loans by pension funds to such "parties of interest" and all types of financial dealings with them. But from an investment standpoint, there is no reason to issue a blanket prohibition against, for example, investment of pension funds in an employers' stock. The ERISA regulation was intended to prohibit investment in companies or areas where Wall Street did not want it.

A look at the personnel involved in pension "reform" clears up any doubt as to what its intent is. ERISA itself evolved out of legislation sponsored by Sen. Jacob Javits (R-NY), who is on record as supporting a direct bail out of the New York commercial banks by the Federal Reserve in the event of a wave of Third World defaults. Roy Schotland, the director of the Twentieth Century Fund report, has been involved in researching the "con-

centration of assets" in large money managers (bank trust departments, insurance companies, etc.) and its effect on the stock market for six to seven years. He was a consultant to the congressional staff which drafted the Financial Institutions and the National Economy (FINE) legislation and is an ardent supporter of banking reorganization proposals made in that legislation—consolidation of the bank regulatory agencies, top down control over monetary policy, etc. Schotland testified recently before Sen. Lloyd Bentsen's Senate finance subcommittee in favor of a bill which would purportedly limit present "concentration of assets." Under the bill no large money manager would be able to hold more than 5 percent of the stock of any corporation with its pension assets. Since 5 percent is often controlling interest in a corporation, the bill is primarily populist grist. Schotland also testified last week before the House administration committee on abuses in campaign funding.

The Twentieth Century Fund is heavily tied to the Administration—perhaps one reason it would like to see the government take over the management of union pension funds—through its directors Patricia Harris (Secretary of HUD), John Paul Austin (Chairman of Coca Cola, down-home supporter of Jimmy Carter), Hodding Carter III (State Department spokesman), Jonathan Bingham (Rep. from New York who supports Carter's "no-energy" program), Federal Reserve Chairman Arthur Burns, and others. Patricia Harris comes from the same law firm as Robert Preiskel who made possible the investment of the New York municipal pension funds in MAC bonds.

## New York Commercial Banks Plan To Bankrupt Savings Institutions

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### BANKING

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The largest New York commercial banks have begun the process of a rate war in order to attract more deposits, a war which will leave so-called thrift institutions—savings and loan associations and mutual savings banks—in a shambles of major bankruptcies, decreased profitability, and less funds to lend to the nation's vital residential housing market.

The attack takes the form of the Carter Administration's introduction to Congress two weeks ago of a series of bills, S. 1664-1669, that would allow commercial banks and savings institutions to offer Negotiable Order of Withdrawal (NOW) accounts. If passed, this would end the 44-year prohibition on interest-bearing demand deposits. One set of bills, endorsed by Federal Reserve Board Chairman Arthur Burns, also proposes the elimination of Regulation Q, the one-fourth percent interest rate differ-

ential that savings institutions may pay above the prevailing rate that commercial banks pay on savings accounts.

The actual content of the bills is of far greater longer-term significance than simply improving immediate bank-earnings, as the bills are represented as attempting to accomplish. In fact, the real intent of the legislation is to advantage the commercial banks over the savings institutions in competition for profits and deposit base to such an extent that a large chunk of the \$400 billion savings institutions industry may be forced into liquidation.

"The spread of NOW accounts could eventually eliminate 13,000 of the country's 14,000 banks," said one New York analyst. The reasoning behind this judgment is essentially sound.

The failure of the rest of the world to agree to the New York banks' bailout has left them with increasing debt refinancing needs, and an inadequately growing deposit base to cover the financing, especially in deposits derived from the United States. As a last resort, they have chosen rate-war to get their hands on a fresh supply of consumer deposits.

#### *NOW Accounts and the Elimination of Regulation Q*

It is simple enough to show that the initiation of NOW and the elimination of Regulation Q will lead a majority of small and medium sized thrift institutions to fold.

In its first three year period the introduction of NOW accounts will dramatically lower all bank earnings. A Keefe, Bruyette and Wood survey of the effects of the introduction of NOW accounts predicted what would happen if 50 percent of all existing personal demand deposits were immediately converted to NOW accounts paying 5 percent interest. In the Keefe scenario, the impact on earnings was not offset by the Federal Reserve's proposed payment of interest on reserve requirements held by the Fed, nor by the charging of higher fees for services previously performed by the banks for free. Keefe found that the drop on earnings at New York City banks would only total 4 percent, while at Chicago banks it would come in at 2.7 percent.

But, for the banks *outside* the money centers, the average impact would be greater, rising to 18.7 percent in California and 19.6 percent in South Carolina. Scenarios imputing less extensive conversion of demand deposit into NOW accounts showed smaller earnings drain, with some banks showing either no losses or small positive gains.

But as shocking as the Keefe study conclusions are, they may even understate the case. The study is premised largely on prevailing market relationships and omits perhaps the most significant new element to enter the equation — fierce competition. In fact, Arthur Burns takes important note of this point in his June 20 testimony before the Subcommittee on Financial Institutions of the Senate Committee on Banking, Housing and Urban Affairs. Following his prediction that, "the pre-tax earnings of commercial banks are likely to be running, on average, 5 to 6 percent below the level that would prevail in the absence of NOW accounts for individuals," Burns reveals that, "I must also note that the indicated average profit short-falls of 5 to 6 percent could be *appreciably exceeded* by individual institutions — those, for example, whose present deposits happen to be weighted heavily toward consumer demand deposits, or those that happen to be situated in communities in which competition becomes especially intense." This last category, of course, includes every large urban center in the U.S.

These ominous predictions are confirmed by the experience of New England, where NOW accounts were introduced on a wide trial basis in 1972, first in savings institutions and then in commercial banks. Commercial banks' average return on total assets before taxes and securities transactions declined a staggering 32 percent, from 0.94 percent in 1972 to 0.64 in 1976.

#### *A War Between Unequal Forces*

As the tremendous decline in bank earnings operating under NOW accounts would suggest, there is a set of fundamental reasons why commercial banks are much better structured to operate under a NOW account regime than are thrift institutions.

Once NOW accounts take effect, all banks will shift to charging through a fee system for current gratuitous ser-

VICES — including checking and check-clearing services — in order to accrue the earnings to pay interest on checking accounts. Here the commercial banks' muscle takes over.

The commercial banks offer a much broader range of services and have much greater access to funds than savings banks, who must depend almost exclusively on consumer deposits for their deposit base. Thus, the commercial banks have a much greater range of services on which they can charge fees, meaning that they can charge very important marginally lower fees on such critical services as checking, which is a vital instrument in a war to keep demand accounts. Second, because of their much greater access to money, the commercial banks can withstand rate-war conditions under a tight-money situation, something that Fed chairman Burns, who is acting overtly as a hatchet man to bail out the New York banks, can arrange by raising the effective federal funds rate, which raises all money market instrument rates.

In addition, the savings institutions will end up paying interest on a much greater amount of demand deposits taken as a percentage of total "free" funds, that is funds that a bank takes in as liabilities without having to pay interest charges. The commercial banks have a much broader range of free funds not allowed to the savings banks under law. "How you're structured determines how NOW accounts affect you," says William M. Crozier Jr., chairman of BayBanks Inc. in Boston. "Smaller banks tend to take it on the chin."

Moreover, the Federal Reserve Board, under proposals advanced by Arthur Burns, will offer its member commercial banks between 4 to 5 percent interest on their reserve deposits held at the Fed, something for which the savings institutions have nothing of offsetting value.

Now if on top of all this, the savings institutions are forced to give up the one-fourth percent interest rate differential payment on savings accounts — Regulation Q — they now enjoy, the commercial banks who can offer, because of their connections and size, all sorts of service conveniences and attractive locations, will accelerate the attraction of customer deposits.

The joint institution of NOW accounts and elimination of Regulation Q spells disaster for the savings institutions. Lloyd Bowles, the chairman of the Legislative Committee of the U.S. League of Savings Associations and also chairman and president of the Dallas Federal Savings and Loan Association told Congress June 21, "Frankly, we fear that without the Regulation Q program, the big banks will 'gobble up' the smaller banks and thrift institutions and we will end up in this country with a dozen or so super banks with financial decision as to who gets what kind of credit being made in offices at the tops of skyscraper buildings in New York, Chicago and San Francisco. (There is no assurance either that — once financial institutions are consolidated to a smaller number — the ordinary saver would be treated to premium rates in a 'free market' environment; the big banks might bid for the big, 'smart' money, instead)."

#### *What There is to Lose*

It is most ironic that the commercial banks, who are

going bankrupt drowning in Euro-dollar debt, are attacking the savings institutions, who have not one cent invested in the Euro-dollar market or any of its derivative outlets for lending.

Perhaps this signifies what this nation will lose if the commercial banks scheme to dismantle the thrift institutions succeeds.

As much as the Wall Street crowd of commercial banks are committed to speculative excesses, the savings institutions are committed in the opposite direction.

Seventy-five to 80 percent of savings institution lending — the rate depending on the region of the country — is invested in financing one-to-four-family residential construction. Currently, there is a limitation of \$55,000 on savings institutions single-family home loans, with strict stipulations for each small increment lent above that limit. Otherwise, the rest of savings institution lending is to the consumer market.

Likewise, the deposit pattern of the savings institutions is financially sound. The savings and loan associations and mutual savings banks have a much larger percentage of their consumer deposit base in long-term certificates of deposit than the commercial banks. For example, commercial banks only have 16 percent of their consumers savings base in certificates of deposits of four or more years maturity, while the savings and loan associations have 36 percent of their consumer deposit base in certificates of deposit of four years or more maturity. Long-term certificates of deposit are inherently more stable, because they represent a commitment by the saver to keep his money in the bank, and it cuts down on the gambling-type risks the bank must take to attract deposit funds which will be lent long-term

#### *A Footnote: the Redlining Issue*

It is surprising, given that the savings institutions understand the fact of the large New York commercial banks attack on them, that the savings institutions have not figured out the immediately obvious — and dangerous — redlining issue.

Stripped to its essentials, the redlining issue is best understood by a consideration of the New York City apartment dwelling mortgage market. During the last 20 years, the New York commercial banks have built the dollar-volume of the New York City apartment mortgage market through successive speculative orgies, subsidized in part by welfare payments. Now, the market has gone bad, with some mortgage defaults reported, and a tremendous number of mortgage defaults imminent. The New York commercial banks, whose up-to-the-minute history of non-accruing Euro-market lending is discussed above, cannot afford to use their own funds to prop up their apartment mortgage market values. The obvious ruse then, has been for these banks, through their political stooges, and “community organization” Ford Foundation-initiated front groups, to demand that the savings institutions pour their money into propping the commercial banks inner city holdings. First, however, the savings institutions are labeled “racist,” the better to make them a target for attack.

Once the savings institutions see through redlining, and the root-cause of the commercial banks all-out attack on them, they should proceed to join with their natural “American Whig” allies, the building trades unions and the construction industry, in a battle in their own defense. A publicity campaign focused on the long-overdue need of financial re-organization of the bankrupt large commercial banks is a good starting point.

## Will Managed Dollar Depreciation Slide Out Of Control?

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### FOREIGN EXCHANGE

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On June 24, the Organization for Economic Cooperation and Development (OECD) announced that the “strong” balance of payments countries, West Germany and Japan, would allow their currency exchange rates to freely appreciate against the dollar, in order to make their exports more costly and thus erode their trade surpluses. The dollar indeed proceeded to drop — but it dropped across the board, against weaker and stronger currencies. Intervention by the West Germany central bank and the U.S. Federal Reserve were required to stabilize the decline at a three-quarter percent level on June 29. At his OECD press conference on June 24, U.S. Treasury Secretary Blumenthal had already warned against the dollar being “oversold,” whereupon Western European central bankers moved to prevent a panic at the dollar’s expense.

Blumenthal, who last week had to swallow his Pollyanna commendation of the U.S. trade deficit as a boon to the rest of the world economy, has made it clear that the Carter Administration, expecting the dollar to lose ground as a consequence of that deficit and the economic weakness it reflects, seeks a selective dollar devaluation on the most favorable terms possible. Carter advisor Lawrence Krause of the Brookings Institution demanded in an interview in the *Asahi Shimbun* English-language Tokyo newspaper two weeks ago that the U.S. hold yen and deutschemarks in its reserves, and dollars which Japan and West Germany would presumably have to absorb, producing the reflationary impetus their governments have thus far averted. Krause called the dollar “overvalued” and mooted a return to fixed exchange rates, a proposal which, for whatever motives, has surfaced here and there lately in the U.S. Commenting on Krause’s remarks, a Morgan Guaranty banker mulled, “You can’t have a real dollar devaluation without a return to gold backing. Anyway, the trouble is that there isn’t any international monetary system....”

After the hectic shore-up against an uncontrolled dollar drop June 29, in which the yen broke the "psychological barrier" of 270 to the dollar, the yen continued to appreciate, reaching 267 on July 2, when the dollar also weakened in slow pre-holiday trading vis-à-vis other currencies. Lloyds predicted that the dollar would continue to fall in the coming week — "it's probably one of the worst currencies around" — and the Federal Reserve (which rarely intervenes itself, preferring the other central banks to do so) may have to step in again to support the dollar. Other New York traders agreed, though noting that profit-taking and other technical reactions will probably brake the slide.

The dollar's weakness is scant comfort to "weak" countries under heightened pressure for devaluation and deflations. Though dealers say they are getting tired of holding expensive "short" positions in Swedish krona, an eventual devaluation is still predicted — not least by Milton Friedman, currently on an arm-twisting tour of Scandinavia, and by Citibank economist Irving Friedman, just back from a visit to northern Europe. "The trouble is that the members of the European snake maintain close relationships to one another," said Friedman, referring no doubt to West German aversion to seeing key trading partners' import potential crushed. Danish economics minister Hakkerup last week

criticized France and Britain for insisting that their economic problems can be solved outside the snake, adding that French and British undervaluation of their currencies only works in the short term, and hoping that other European countries will join Denmark in seeking broad-scale trade expansion.

The southern European countries are also on the line as Spain's Suarez government is besieged to institute up to a 15 percent devaluation of the peseta, along with wage controls, credit restrictions, and other austerity measures. Portugal's difficulties, according to the July 1 London *Financial Times*, will by no means end with its new borrowings; according to Finance Minister Carreira, the \$750 million international loan will only briefly "attenuate the crisis...a very delicate foreign exchange situation and balance of payments deficit." The lira, which has kept steady for months, may come under pressure due to the growing balance of payments deficit and a drastic credit crunch for industry. *Business International* pooh-poohs the foreign debt situation, since most of these obligations are "of a self-liquidating nature," and stresses the Bank of Italy's reserve capability to fend off speculative attacks, but nevertheless predicts eventual 10 percent depreciation of the lira owing to inflation.

## U.S. Trade Deficit: The End Of American Industrial Superiority

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### WORLD TRADE

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The current U.S. hard commodity trade deficit — which reached some \$10 billion for this year during May and will top \$25 billion by this month — shows neither the "great strength of the U.S. economy" nor its "help for world recovery" as Jimmy Carter's Treasury Secretary Michael Blumenthal, the Brookings Institution, and the *New York Times* have all proclaimed.

Instead, it shows the breakdown of the high-technology U.S. economy from its proper role as the engine of world development. The truth behind the deficit is that net U.S. industrial and industrialized agricultural exports have fallen by 50 percent since 1975. As a result, the U.S. will run a \$27 billion deficit with the Third World alone this year. That is, the Third World will sell us \$27 billion worth of oil and commodities and, rather than ordering U.S. exports, will use the cash to pay its debts.

Blumenthal and the rest of David Rockefeller's Carter Administration, whose job it is to see the Third World pay those debts, have praised the deficit, lying that the U.S. "is recovering faster," thus "importing more," and "helping its trading partners." It follows, they demand, that Japan and West Germany who together have a trade surplus of some \$15 billion, run a similar-sized deficit like the U.S. — a swing of \$30 billion to be transferred to the Third World for debt payment.

The U.S. deficit has nothing to do with imports, nothing to do with helping our trading partners, and not anything to do with "those nasty Arabs" and high oil prices. It fundamentally results from the constriction of world purchasing power and consumption of U.S. exports caused by the current annual payment of over \$35 billion in interest and principle on international debt.

The higher prices since 1973 of oil and some commodities in reality represent little or no problem whatsoever for the U.S. *had the money gone where it belongs* — for purchases of U.S. industrial and agricultural exports. True, the U.S. deficit on oil and coal — net imports — did rise (see Table, Grand Total) from \$21.9 billion in 1975 to \$41.1 billion estimated in 1977. But, even considering the 15 percent rise in oil prices during the period, the U.S. as an industrial power properly needs a logarithmic rate of increase in energy consumption for industrial progress.

The problem is that the (Grand Total) U.S. balance on industrial goods and agricultural products — net exports — fell from \$16.8 billion and \$14.0 billion in 1975 to \$6.3 billion and \$9.9 billion for 1977. Our world markets have been sliced in half.

#### *The U.S. Engine*

The proper historical role of the U.S. economy as the leading technological edge of the world productive machine would in fact be to run a *\$100 billion surplus* in hard commodity trade with the rest of the world, principally the unindustrialized Third World and the Soviet

## U.S. INDUSTRIAL DECAY AND THE BALANCE OF TRADE

\$ U.S. BILLIONS

		<i>TRADE WITH:</i>					<i>INDUSTRIAL COUNTRIES TOTAL</i>	GRAND TOTAL
		<i>THIRD WORLD COUNTRIES</i>						
		TOTAL	America	Asia, Africa	Middle East			
<b>Total U.S. Trade Balance</b>	75	1.4	1.1	-2.6	2.9	7.5	8.9	
	76	-10.8	-0.1	-10.9	0.2	2.2	-8.6	
	77	-26.4	-7.2	-16.5	-2.7	1.5	-24.9	
<b>Industrial Goods Balance</b>	75	18.7	10.0	3.6	5.1	-1.9	16.8	
	76	17.1	10.2	0.7	6.2	-7.2	9.9	
	77	15.0	8.7	0.3	6.0	-8.7	6.3	
<b>Agricultural and Raw Materials Balance</b>	75	3.0	-1.7	2.0	2.7	11.0	14.0	
	76	-0.1	-3.5	1.0	2.4	11.2	11.1	
	77	-4.2	-7.8	0.6	3.0	14.1	9.9	
<b>Oil and Coal Balance</b>	75	-20.3	-7.2	-8.2	-4.9	-1.6	21.9	
	76	-27.8	-6.8	-12.6	-8.4	-1.8	29.6	
	77	-37.2	-8.1	-17.4	-11.7	-3.9	41.1	

The above chart shows how the U.S. balance of trade shifted from a surplus in 1975 (exports minus imports)

to a deficit in 1977. Figures for 1975 and 1976 given on annual basis, with 1977 figures given to date.

Bloc. U.S. Labor Party Chairman Lyndon H. LaRouche's proposed private International Development Bank would finance at least that much in net U.S. exports. As one of the leading concentrations of high-technology industry and research and development facilities in the world, the U.S. economy is, along with Europe and Japan, the only world industrial center which can produce, if so financed, that magnitude of absolute social surplus beyond its own needs.

The last time the actual U.S. trade balance figures resembled anything like the U.S. engine was in 1975 (see Table), the last time the U.S. had a trade surplus of \$8.9 billion. Although by 1975, most of the post-October 1973 increase in oil prices was in effect, the U.S. was able to exceed oil imports with a combination of \$16.8 billion in industrial and \$14.0 billion agricultural exports.

On closer examination, the decay had pretty well set in, with the U.S. surplus with the Third World (total) only around \$1.4 billion compared to \$7.5 billion with the industrial nations. Still, we were shipping a record \$18.7 billion net industrial goods exports to the Third World.

### *Third World Shuts Down*

The crucial blow to the U.S. was the end of purchasing power in the Third World, where most of the \$100 billion ought to go, as total Third World debt and annual payments due on debt largely to the Rockefeller interests more than doubled from 1975 to this year. By April 1977, the U.S. 1975 total trade balance surplus with the Third World had become a \$26.4 billion deficit at annual rate —

far and away the bulk of the U.S. total deficit. A surplus through April with the industrial countries of Canada, Western Europe, and Japan of \$1.5 billion hardly dents it. That \$26.4 billion, which never found its way back to U.S. corporations and farmers but ended up at One Chase Manhattan Plaza, breaks down as follows:

*Asia and Africa:* So far in 1977 the U.S. has a \$16.5 billion deficit in total trade with Asia and Africa. In other words, the poorest area of the world where two-thirds of the human race lives is shipping a whopping \$16.5 billion worth of hard goods, net, to the USA. The oil and coal balance line for Asia and Africa shows where most of the cash is going: in 1977 the U.S. is paying \$17.4 billion net to the poorer oil producing countries of the region — Indonesia, Algeria, Nigeria, and Libya. While Libya does not spend the cash for U.S. machinery mainly due to its tiny population, Indonesia and Algeria, are well-known bankrupts who have drastically curtailed domestic development programs to pay off their combined \$20 billion foreign debt.

*Latin America:* Total U.S. trade balance with Latin America has swung from a \$1.1 billion surplus in 1975 to a \$7.2 billion deficit this year. The oil and coal balances account for much of this, but have been relatively stable since 1975. The real shift has been the rise in Latin American commodity prices, which brought the U.S. agricultural and raw materials balance from a nominal deficit of \$1.7 billion in 1975 to a \$7.8 billion annual rate of deficit this year — coffee, tea, cocoa and tin prices



speculated by Latin America's New York bankers straight out of U.S. consumers' pockets. To prove that this cash has paid installments on the combined \$70 billion debts of Brazil, Mexico and the rest of the continent, Latin net purchases of U.S. industrial goods have fallen off by 13 percent since 1975.

*Middle East:* The "evil sheiks" often blamed for the U.S. deficit in fact have been the biggest purchasers of U.S. industrial and agricultural goods in the Third World. Since their populations are so small relative to income they have run up no debts to speak of. Even so, Arab purchases of U.S. goods have stagnated, relative to U.S. energy consumption, leaving the U.S. with a net deficit with the Middle East of \$2.7 billion.

#### *Deflating The Reflation Myth*

Ironically, it is only with the industrialized West — Canada, Western Europe, and Japan — that the U.S. has run a trade surplus. This is the same area which Blumenthal et. al. claim they are rescuing from recession with "surplus U.S. imports" of their goods. Rather, the U.S. is being rescued.

Even here, U.S. surplus doesn't stand up to

examination. First of all, the entire surplus with the industrial countries is accounted for by — food, not industrial products. Most of this is due to the disastrous European drought of last year and will evaporate in September when Europe brings in its harvest. The U.S. is in deficit with the industrial countries on industrial goods. But that doesn't mean U.S. imports of European machinery are stimulating a recovery there. The projected 1977 U.S. deficit on industrial goods with the industrial nations of \$8.7 billion is entirely a deficit with — Japan, the country who least needs reflating.

The June 28 announcement of yet another \$1 billion deficit, this time for May, seems to have frightened even Treasury Secretary Blumenthal. In an about-face he told the bemused Wall Street Journal the same day that the deficit really is "too large" — mostly, the Journal notes, because the Carter Administration has become terrified that the deficit is "undermining confidence in the soundness of the U.S. dollar." But Blumenthal has learned little; while paying lip-service to increased exports, he insisted that "one of the principal answers" to the deficit is "President Carter's energy conservation program:" a slashing of U.S. energy consumption.

## The Real Economic Costs Of A Gold-Based Monetary System

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### GOLD

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The real economic cost of gold under the proposed gold-based international monetary system would be at least \$250 to \$350 per ounce, compared with today's market price of \$140.

This is the conclusion of a study of the real costs of mining gold in South Africa carried out by the U.S. Labor Party in conjunction with the private International Development Bank proposal issued recently by party chairman Lyndon H. LaRouche, Jr. South Africa now produces about 60 percent of the world's gold and accounts for about the same percentage of world gold stocks left below ground.

Real economic costs are defined in terms of the necessary capital inputs and human educational development programs, required to bring South African production up to the North American standards of capital-intensive mining. Specifically this includes raising the abysmal wage of South African miners to \$18,000 a year.

The future existence of the world gold market as an integrated part of a technologically advancing world trade system depends upon a crash program of capitalization in the South African mines. To put in new mechanization and train the entire 400,000-man workforce involved in South Africa's gold production will require a one-time international development loan of \$39

billion. As an interim program, the Labor Party proposes that the seven major finance houses managing South Africa's mines concentrate an initial \$13 billion mechanization program on their most productive mines, shut down one-third of their production — the most labor-intensive mines — and leave one-third in operation at current production.

#### *Capital Versus Labor Intensive*

A comparison of South African mining methods with those in the U.S., Canada, and the USSR graphically illustrates the problem and the solution. With high standards of miner wages and a tradition of capital-intensive methods, production in North America and the USSR from the beginning has been able to exploit gold deposits on an economically feasible basis at past and current gold prices of \$35 per ounce. The key has been to make the mines as capital-intensive as possible to increase productivity.

South Africa has relied on an opposite ratio of capital to labor and very low wages although it should be noted that the foreign capital for mechanization was nearly impossible to obtain during South Africa's development.

Those responsible for South Africa's labor-intensive practice are Lehman Brothers, Kuhn Loeb, Lazard Freres, Morgan Guaranty, and the Rockefellers' Standard Oil. These five make up the "American" in the Anglo-American Corporation which controls 85 percent of the capital in the South African gold mining industry.

The average U.S.-Canadian gold mine today has 500 to 1,000 workers and mines and mills, a minimum of 1,500 to

**Cost Comparison of Average Mines  
In North America and South Africa**

	North America	South Africa
Ore Grade per ounce per ton	.31	.30
Capital expenditure per ounce	\$26	\$26
Total working cost per ounce	\$80 to \$120	\$90 to \$110
Tons produced per man per year	1,500	275
Wages per man per year	\$18,000	\$3,000

5,000 tons of ore per man per year (compared with 275 tons in South Africa). This level of productivity is possible because the mines, especially the most productive ones, are highly mechanized: conveyor belts and machinery move rock all along both the main vertical shafts down into the mine and in the horizontal tunnels shooting off from the main shafts going into the ore bodies.

At the ore face, men work individual power drills as in South Africa, but they are backed up all the way into the tunnel by machinery to load the rock and bring it up to the surface for ore extraction. In the most modern mines, machines scrape the ore from the ore face and haul it away.

The typical South African gold mine, which hauls about twice as much rock and produces twice as much gold, has upward of 11,000 miners. Out of the entire national mining workforce of 400,000, fewer than 40,000 are skilled workers. These are whites who are mostly managerial, do little muscle labor, and are paid up to \$20,000 a year.

The rest of the miners are blacks. The mining wage for blacks has been so bad — about one-quarter that of wages for blacks in South Africa's manufacturing industry — that South African blacks refused to work the mines and more than 80 percent of the black labor force in the past were migrants from other parts of Africa. Today, however, the world recession has sent unemployment up so high in South Africa that laid off industrial workers have been forced into the mines. Now 70 percent of the labor force is South African.

Although wages for black miners have tripled in the past few years, they are still only about \$3,000 a year.

The South African miner hauls his load by hand. The horizontal mining tunnels in which the ore is mined are wide enough only for a man to crawl into — not for a conveyor belt or other large machinery.

Furthermore, South African mines are on the average

about twice as deep in the earth as North American mines — 8,000 to 10,000 feet, with many more than two miles deep. At the most extreme depths, the mines are at a temperature of 100 degrees fahrenheit, and the men can work only for a few hours before they must be lifted to the surface to rest.

*Mechanizing The South African Mines*

The differences between North American and South African mining can be resolved by a one-time expenditure to mechanize the mines and train the workforce as skilled miners. As the table of cost comparisons shows, the average grade of the ore — ounces of gold recovered per ton of rock milled — is the same; the average capital expenditure, in terms of current capital spending, is about the same per ounce of gold produced; and the average overall working costs — labor plus materials, insurance, transportation, etc. — is roughly the same. In fact, the financial cost per ounce of gold produced is basically the same in North America and South Africa today. *The only difference is that American workers are about 5.5 times as productive and about 5.5 times better paid.* The higher cost per North American worker is neatly balanced by his increased productivity.

*The Real Cost Of Gold*

The crash program must widen the horizontal tunnels (actually at a 45 degree angle) in the South African mines sufficiently to allow machinery. The current cost of putting in a mine that will go down to 5,000 feet and produce .64 million ounces of gold per year at capital-intensive North American methods is \$240 million according to the chief of mining engineering at a major North American gold mine. Geologists estimate that for the same production at South African levels of 10,000 feet, costs will rise logarithmically since deeper levels require more and more expensive metal supports to hold wider tunnels for machinery.

The cost of such a program — including a full training program for the 2,000 or so men at each mine — would be close to \$830 million. This is \$1,300 per final ounce of gold to be produced at completion.

If South Africa receives an international loan to amortize the charges over a ten year period, the payments would be about \$200 per ounce per year, (using market-related interest charges of 8 percent). With the program of low (2 to 3 percent) interest development loans, specified in the private international development bank, the cost would be closer to \$150 per ounce per year.

When this cost is added to the current cost of production of \$90 to \$110 an ounce in South Africa, this gives a real economic gold price of \$250 to \$300.

— K. Brown

# Nelson Rockefeller's 'New Look' Energy Program

With Jimmy Carter's no energy program in shambles, Nelson Rockefeller is scrambling to merchandise a resurrected version of his 1975 "Energy Independence Authority" boondoggle as an alleged "energy-development" alternative.

The thrust of Rockefeller's \$900 billion "Project Independence" proposal is spelled out in the newly published book, *Power and Security*, whose co-authors are nuclear physicist Edward Teller, a senior research fellow at the Stanford University Hoover Institute on War, Revolution and Peace, and a long-time protégé of Nelson Rockefeller; Dr. Hans Mark, director of the NASA Ames Research Center; and Dr. John S. Foster, Jr., former director of the Pentagon Defense Research and Engineering unit. *Power and Security* is the fourth in the 14-volume series issued recently by the Commission on Critical Choices — the private thinktank established by Nelson Rockefeller in 1973 to help plot Rockefeller family strategy for the coming 25 years.

At first glance, the program elaborated in the volume's opening section, "Energy — A Plan for Action" by Dr. Teller, might well appeal to any citizen interested in seeing the U.S. regain its economic and industrial vitality. Isn't the book's call for *sharp step-up* in energy production a far sight better than Carter's no-energy program?

The answer is *no*. Despite *Power and Security's* attack on anti-technology environmentalists, its program for increasing energy output and consumption, and particularly its heavy emphasis on nuclear fission as one of the most important energy sources available — the program recommended by the Commission — is as fundamentally incompetent. Taken as whole, it betrays one main purpose: saving the Rockefeller financial interests from imminent collapse.

"Energy — A Plan For Action" is not a plan for developing the nation's energy resources and industrial potential. It is a blueprint for a taxpayers' bailout of the Rockefellers via skyhigh energy prices and a multibillion dollar federal handout to Rockefeller's energy-related holdings, under the guise of "energy development."

## Rockefeller Says No To Fusion

Assigned by the Commission "to develop a pragmatic program for meeting the United States' energy needs by the year 2000," as Acting Commission Chairman William J. Ronan puts it in his Introduction to *Power and Security*, that is just what Teller has done. In describing the framework within which he carried out his assign-

ment, Teller is quite candid: "Our objective is to make energy available in a manner that will avoid endangering the stability of the international monetary system and the economy of the world." In other words, Teller announces at the outset, the energy program recommended by Rockefeller's Commission will be tailored to fit the needs of a collapsing international monetary system, whose near-bankruptcy is the source of the current world economic crisis.

The real impact of this "pragmatic" bias comes through in *Power and Security's* rejection of fusion power as a *near-term solution* to the energy crisis. Teller paints a very bleak picture indeed of the ramifications of the energy crisis, predicting that:

*The energy shortage will cause a further slowdown of our economy and could lead to its collapse... The postwar generation — which has never experienced real hardship — may find out what deprivation and hunger mean... The situation abroad is worse... Trouble and despair are bound to react on our own country... An epidemic of bankruptcies similar to those that occurred in the 1930s cannot be excluded...*

Yet the Commission consigns fusion power, the only possible solution to the energy shortage, and the only fuel supply which would allow for a worldwide economic recovery and expansion, to the distant future!

Though Teller and co-author Mark acknowledge that fusion could provide "a clean source of energy with an inexhaustible supply of fuel," and that "intensive scientific research is needed to uncover the principles upon which the fusion reactor is to be based," they explicitly counsel against increasing federal fusion research allocations above the current stand-still level of \$100 million per year. The Commission proposes a \$900 billion overall expenditure on energy development within the next decade. Writes Teller, in an attempt to explain this:

*The realization of an economic power source based on controlled fusion is... in the distant future... What will determine the economy of fusion power will be the needed capital investment and the maintenance costs. It is obvious, even at the present time, that the system will be exceedingly complex and these costs may be quite high. It is, therefore, premature to assert that fusion power will develop into the ultimate energy source...*

*Past experience shows that from demonstration to economic feasibility, two decades are needed. While*

*the development may be faster in this case, the engineering difficulties are also greater. One may assume, therefore, that fusion power will not make a major contribution to the energy economy prior to the year 2000... The vigorous research effort should indeed be continued. But, due to the situation described above, there seems to be limited reason to consider energy shortage as a motivation for uncontrolled expenditures on controlled fusion...*

**Recommendation.** *United States research efforts should concentrate in two areas.*

*a. Continue research on magnetically contained controlled thermonuclear fusion on the present scale and under the present rules which encourage broad international cooperation. Commercial success by the year 2000 is possible.*

*b. Continue recently initiated research on laser fusion (which depends on concentration of high energies in a small volume). Encourage international cooperation on the model of the previous recommendation. Commercial success may be attained in the next century. This research, as well as the research recommended above, may produce interesting applications outside the field of massive energy production.*

Teller's attitude toward fusion has apparently not been changed by recent important breakthroughs in both the Soviet and U.S. fusion programs, nor by the assertions of various ERDA officials that, given proper funding, fusion's economic and scientific feasibility could be proven by demonstration reactors within the decade. At a conference sponsored by the Edison Electric Institute (EEI) two weeks ago, Dr. Teller reiterated the views he expounded in *Power and Security*, announcing that though "We will demonstrate fusion within three years. At that time it will cost \$1,000 per kilowatt hour, and will not become economical before the 21st century... Therefore President Carter was not right to mention it in his (April 20) speech."

Teller's unconscionable relegation of fusion to the 21st century stems directly from the Commission's attitude toward basic science. "We propose to increase production of energy sources *not requiring great innovative research*," (emphasis added) writes Teller.

Teller's co-author, Hans Mark, commits the same basic epistemological blunder in his section of *Power and Security*, entitled "Technology Development and the National Purpose." Mark's overall approach is premised on his separation of basic scientific research, technological development and engineering into separate, *discrete* categories, and on his recommendation that technological development — as opposed to "basic scientific research" — be given top national priority. Such a "quick-fix" approach at this juncture — when only fundamental scientific breakthroughs in especially plasma physics can guarantee meaningful technological development — will ensure that a long-term solution to the energy crisis is never achieved. The rationale behind the Commission's anti-science bias, as offered by co-author Hans Mark, is ludicrous:

*Why is it necessary to take pains to define the process of technology development so carefully? The answer lies in the exponential growth of basic scientific knowledge. This growth in new knowledge, especially in the past few decades, has greatly increased the number of possible choices for new technology developments. In the past, the rate of scientific progress was such that technology developments were generally undertaken as a natural consequence of scientific discovery. Each new scientific discovery was, in due course, developed into new technology and then into engineering projects. That is no longer true today. Since technology development is generally very expensive compared to basic scientific research, choices must be made. We simply do not have enough money to support all the possible technology developments that could be based on current scientific knowledge... Our mechanisms for making choices regarding the initiation of new technology developments are still rudimentary. We have, as we shall shortly see, an established pattern, but it is not at all clear that the pattern we have is properly geared to the national purpose.*

With fusion development thus ruled out, the only "energy development" programs which the Commission can offer are jacking up energy prices through decontrol and deregulation, supposedly to encourage exploration and increased output, and such "advanced technologies" as the Nazi-developed and highly inefficient coal gasification method, and the equally regressive oil-from-shale technique. Apparently, this means among other things, the Soviet Union which already has a marginal military advantage will continue to expand the "technology gap."

### '1985 Targets'

In the section of *Power and Security* entitled "1985 Targets," Teller basically describes how Rockefeller intends to implement an energy autarky in the U.S. based on increased domestic energy output, a large step up in U.S. "energy exports," and a harsh domestic "conservation" program:

*The main thrust of our proposal is to establish badly needed and realistic objectives and a plan for achieving them by the year 1985. The existence of a plan and public understanding of its objectives will make it easier to accept temporary difficulties and to avert dangerous developments. The elements of the plan include:*

- 1. Economic and effective use of energy.*
- 2. Substantially increased oil and gas production in known domestic basins.*
- 3. Much greater use of coal.*
- 4. Public acceptance of and greater use of nuclear energy.*

*Our purpose is to establish by 1985 a strong energy position that can serve as a basis for healthy development of our economy and that can provide badly needed help to our allies by exporting coal and oil*

from the United States. We propose to increase production of energy sources not requiring great innovative research. These are oil, gas, coal and nuclear energy. As early as 1980, our oil imports and coal exports may balance if we pursue this program vigorously.

Our target is a domestic production of energy by 1985 that is 83 percent above the level of 1973, that is, an increase of 5.0 percent per year. This is generally more ambitious than plans proposed by others since the embargo. U.S. domestic demand for energy would increase only by 36 percent, that is, by 2.6 percent per year or by 1.8 percent per person per year. This compares to an annual growth of 3.2 percent per person per year during the last ten years...

If our target is reached by 1985, the United States could export 13 percent of the energy produced domestically. This would include the export of a little less than three million barrels of oil per day, an amount which may be almost 10 percent of the expected oil requirements of our allies. In addition, we would export about a million tons of coal per day. These exports should have a moderating influence in the oil market and would suffice to protect any one country among our allies from the effects of an oil blackmail...

## Conservation A Must

Lest anyone be temporarily seduced by Teller's predictions of increasing energy growth and consumption, note that conservation and high energy prices are an integral part of the Commission's program:

*Our target for 1985 is to constrain U.S. domestic consumption to 103 quads and to export 15 for a total demand of 118...*

*To meet these targets, we will have to slow the rate of growth of domestic consumption... The key is conservation. (emphasis added) Consumption can be influenced more rapidly than production. It is both necessary and possible to reduce U.S. energy consumption immediately... The first step is the development of a national conservation ethic. A substantial and lasting contribution can also be made by the use of energy-conserving technology in our industry and our homes...*

*We must begin at once a serious and continuing effort to conserve energy — particularly oil and gas... The most serious problem is petroleum... we must find ways to live with less petroleum...*

Among the specific conservation measures Teller prescribes are:

*Strict enforcement of the 55 mph speed limit; a conservation ethic for private automobiles...; Cars with better gasoline mileage must be introduced. One straightforward way to do this may be to discourage the use of heavy cars by imposing a substantial annual federal license fee based on weight;...Permitting electric rates to rise...to*

*discourage waste of electricity; Replacing bulk metering of electricity in apartment houses with the metering of the consumption of individual tenants; Requirements for good insulation in new dwellings if a government loan is to be available...*

*Altogether, we propose to invest, by 1985 \$100 billion to save from 5 to 10 quads per year. This corresponds to an investment of more than \$20,000 on the average to save a barrel of oil per day in the favorable case and twice that amount in the unfavorable case...*

*More than half of the capital expenditures on energy-saving devices should be spent before 1980. The public must participate in an effective drive to use less energy. The conservation ethic should be taught in schools; publicity and government initiatives are indispensable. (emphasis added)*

## The Trillion Dollar Payoff

And how much will this program for saving Rockefeller's hide cost the American taxpayer? Let Teller explain:

*The cumulative capital expenditures required to carry out this program up through 1985 are approximately \$840 billion. This amounts to a yearly investment of almost \$80 billion in energy alone, which is about four times what we have spent for this purpose in the past. We believe that this is the most difficult condition that needs to be fulfilled if our plan is to be realized although heavy expenditures will be required in any case during the next decade. In order to finance this plan, other capital intensive programs may have to be cut back and capital formation must be stimulated both by direct and indirect government action. (In other words, liquidity will be siphoned off from other areas of capital investment into the development of largely Rockefeller-owned energy interests —ed.) It may be necessary to increase the fraction of the gross national product going into private investment. How we do this and what we are willing to sacrifice for this purpose are critical choices connected with any energy plan.*

*Of the \$840 billion, approximately \$200 billion is to be spent on electric plants, including transmission and distribution systems... The capital investment to be spent on coal is considerably smaller, approximately \$40 billion. Coal is our largest domestic source of fossil fuel and is a relatively inexpensive form of energy. We plan to expand its production most vigorously.*

*Oil and gas account for a capital investment of \$300 billion. About \$270 billion of this amount will have to be spent to meet increased domestic requirements while eliminating imports.*

*Approximately \$50 billion of capital investment is to be spent on environmental improvements... this expenditure is not excessive.*

*Approximately \$100 billion in capital investments will be needed to introduce energy-saving devices. We assume that funds would be better spent on utilization of energy rather than on the production of more energy wherever this is economically feasible...*

*In the period through the year 1985, \$150 billion will be needed for investments which will produce energy*

after 1985. This gives a total of \$840 billion...

*Of this \$840 billion, approximately \$50 billion is to develop the capability to export 9 quads per year or about a million tons per day of coal and 6 quads per year or nearly three million barrels per day of oil... Beyond the \$840 billion of capital expenditures, about \$40 billion will be required for research and development... This corresponds to an annual research and development expenditure of about \$4 billion — an amount not very different from the present practice if spending by government and by industry is included. The present research and development expenditures are not in an ideal balance. Industry emphasizes developments that are to bear fruit within the next couple of years. Government research, on the other hand, is oriented toward the next century. More should be done to take care of the next ten years. If we emphasize better exploitation of fossil fuels (better drilling equipment and advanced methods of fuel recovery) and short-term development of nuclear reactors (greater safety and a switch to abundant thorium as the main fuel), together with other medium-term developments, the cumulative expenditure of \$40 billion for research and development will be an excellent investment...*

*In addition to the sums given above, about \$20 billion will be required through 1985 for pilot, demonstration, and initial production plants to make sure of the technical and economic feasibility of new fuel production processes.*

As referenced earlier, the Commission on Critical Choices recommends the development of energy technologies which are generally far less efficient than other technologies which are readily available for development such as fusion. This bias — which stems directly from the Rockefellers' need to protect the book value of their current investments in fossil fuels and fission — is most immediately reflected in the Commission's emphasis on coal gasification, oil-from-shale, and the substitution of the thorium fuel cycle in place of plutonium in breeder reactors. It should be noted that the fusion R and D program will be adversely affected by halting developments of the plutonium cycle in the Liquid Fast Metal Breeder Reactor. Teller's comments on these and related techniques explicitly reflect this bias:

*The proposal which we present here differs from other recent studies in two important points. One is that with respect to the international situation we have taken a positive stance of achieving not merely independence, but interdependence, whereby the United States will be in the position to make a positive contribution to the world economy.*

*The other difference is that we are emphasizing some technical possibilities which have not, as yet, received general acceptance. One of these is to incorporate thorium in present nuclear reactor designs to produce uranium-233 as a readily available substitute for other nuclear fuels. Used in this manner, thorium, which is much more abundant and available worldwide, can solve the nuclear fuel shortage problem without a lengthy and expensive development program. (Teller testified in Congress recently*

*in favor of thorium as against plutonium —ed.) The other is the use of in situ processes which, after a relatively brief research and development effort, may well make oil from shale and gas from deep coal deposits available sooner and at much less expense, either in dollars or in environmental damage, than equivalent surface processes.*

Teller's "Plan For Action" also provides for the establishment of government institutions capable of overseeing the Rockefeller-desired militarization of the economy, specifically the supply and allocation of fuel, in the event of an "emergency":

*The security of a substantial fraction of our oil imports will remain in jeopardy in the near future. Announcement of a plan for energy self-sufficiency may tend to discourage an oil embargo. It is necessary, however, to establish emergency measures, such as the legal and administrative bases for emergency allocation, rationing and distribution systems, to be taken in case a new energy shortage should develop for whatever reason. These plans will reduce the impact of any shortage. Measures which are adopted jointly by the oil-consuming countries might be particularly effective.*

#### "Recommendations For Urgent Action"

Following are major portions of the concluding section of "Energy — A Plan For Action." Within this section, entitled "Recommendations For Urgent Action," are contained the Commission's strategies for jacking up fuel prices through the ceiling (decontrol of domestic oil, deregulation of natural gas, electric utility rates hikes to prompt "conservation," etc.); for providing a multi-billion dollar, federal handout to the Rockefeller family under the guise of "energy research and development;" for delaying development of fusion power by keeping funding at an inadequate level, and for developing the mechanisms for total Rockefeller control over all energy sources and distribution:

#### ENVIRONMENT

Recommendation. *The federal government should take additional steps to protect the environment by:*

*\* Prohibiting the import of liquified natural gas (LNG) until the risks associated with LNG ships are reduced to the levels commensurate with, say, nuclear electric generating plants.*

*\* Reducing the chance of spills in harbors, rivers, and bays by establishing and enforcing strict rules on control of traffic, use of pilots, and foul weather procedures.*

*\* Reducing the chance of oil leaks from offshore drilling by setting and enforcing minimum standards on procedures and equipment.*

*\* Imposing a levy on surface-mined coal which is invested in a trust to ensure that funds will be available to rehabilitate or improve surface-mined areas.*

Recommendation. *The federal government should*

also take steps to improve confidence of the public in the safety of nuclear reactors and in the security of nuclear power materials by:

- \* Requiring that nuclear reactors be constructed underground, underwater or in nuclear power parks.

Recommendation. The federal government, in cooperation with the states and industries concerned, should make appropriate plans for the necessary influx of people into the sparsely populated lands where low sulfur coal and high grade oil are currently found.

### PRODUCTION

**OIL AND GAS.** The current worldwide energy crisis is closely connected to the shortage of indigenous supplies of oil and gas in many countries and the high prices of imported oil and gas. Increasing domestic supplies of oil in the United States will help relieve worldwide shortages and will have an impact sooner than substitutions of the other energy sources.

Recommendation. The federal government should stimulate the production of domestic supplies of gas and oil by:

- \* Expediting the submission and processing of environmental impact statements and the leasing of federal lands to facilitate the exploration of new areas, particularly in Alaska and on the outer continental shelf.

- \* Undertaking a federal exploratory drilling program within the coterminous states, giving priority to areas where oil and gas are most likely to be found to arrive at a better estimate of available oil and gas reserves, especially before leasing federal lands.

- \* Making public lands available under federal leases which require little or no front-end money and which are awarded on the basis of guaranteed exploration efforts within specified time limits. This should include appropriate incentives for production or penalties, including loss of lease in case of inadequate performance.

- \* Permitting industry profits adequate to raise, internally or in the market, the necessary capital for needed additional exploration and development and to provide the industry incentives to develop new fields of processes. This might be accomplished in part by eliminating the price differential between "old" and "new" oil and gas and by establishing suitably indexed price floors for oil and gas production...

- \* Establishing a joint federal government industry committee to work with the oil and related manufacturing industries to ensure the availability and appropriate allocation of scarce rigs and materials.

**COAL.** Coal comprises the most abundant fossil fuel reserve in the United States and can be substituted for oil and gas in many non-transportation uses.

Recommendation. The federal government should implement an aggressive program to utilize our abundant deposits of coal in lieu of natural gas and oil by:

- \* Resolving pending legislation regarding surface mining.

- \* Making available public lands containing low sulfur coal under federal leases which require little or no front-end money and which are awarded on the basis of guaranteed production within specified time limits with appropriate incentives for production or penalties, including loss of lease for lack of performance.

- \* Providing guarantees for long-term loans of needed capital to coal producing and consuming companies.

- \* Ensuring the adequate production of coal mining and transportation equipment (such as drag lines, hopper cars, diesel engines, barges, freighters, pipelines) and the improvement of railroad roadbeds, harbors, docks, and canals needed for the transportation of coal by setting appropriate interstate rate structures and by guaranteeing loans, if required.

**NUCLEAR REACTORS.** Nuclear reactors can provide an important alternative to fossil fuels as the heat source for electric power generation.

Recommendation. The federal government should take aggressive action to increase quickly and substantially the use of nuclear electric generating plants in the United States by:

- \* Establishing with industry, standardized reactor designs and, with states and local governments, standardized reactor siting criteria, which will be used as criteria for licensing new reactors and approving current reactor proposals which have not been approved.

- \* Streamlining licensing procedures by establishing federal guidelines and taking appeals out of courts, delegating them instead to a quasi-judicial administrative agency.

Recommendation. The federal government should eliminate potential future bottlenecks in the expanded use of nuclear reactors by:

- \* Increasing the price offered for uranium oxide or yellow cake to encourage more exploration and mining.

- \* Permitting the import of uranium oxide.

- \* Contracting for additional facilities to process spent fuel rods and nuclear waste.

- \* Providing incentives to encourage the installation of new fuel cycles utilizing abundant thorium.

### OIL SUPPLY SECURITY

Recommendation. The federal government should take steps to assure that continued supplies of oil are available by:

- \* Providing the president with standby emergency allocation, distribution, and rationing powers to be used should oil supplies be interrupted...



## RESEARCH AND DEVELOPMENT

### NEW TECHNOLOGY

*Recommendation. The federal government should fund, partially fund or encourage through appropriate tax incentives, research on and development of improved methods for:*

- \* *Discovering new gas and oil deposits in the United States and offshore.*

- \* *Recovering gas from tight formations using hydrofracturing, high explosive or nuclear techniques.*

- \* *Removing sulfur from coal before, during or after burning.*

- \* *Mining underground to improve the percentage of coal removed, to increase the productivity of miners...*

- \* *Making high Btu gas, methanol, and synthetic petroleum from coal emphasizing in situ processes.*

- \* *Incorporating thorium into reactor designs (for example, CANDU, HTGR, Rickover light water) to produce uranium-233.*

- \* *Processing uranium-233*

- \* *Using uranium-233 in lieu of uranium-235 in nuclear power reactors.*

- \* *Other breeder reactors including alternatives to the liquid metal fast breeder reactor (LMFBR)...*

- \* *Removing in situ oil (and possibly minerals, such as alumina) from high grade (greater than 15 gallons of oil per ton) western shale employing high explosives and, later, where appropriate, to scale up to larger production rates, using nuclear explosives to rubble the shale.*

- \* *Recovering economically in situ oil (and possibly minerals, such as uranium) from low grade (less than 10 gallons of oil per ton) shales which are found in many parts of the world as well as in the United States, for example, the Chattanooga shales.*

- \* *Removing nitrogen and sulfur economically from shale oil to make it an acceptable refinery feedstock.*

### DEMONSTRATION PLANTS

*Recommendation. The federal government should partially fund a few each of the following types of demonstration scale plants to determine the technical and economic factors related to large scale production by private industry:*

- \* *In situ coal gasification.*

- \* *In situ shale oil production.*

- \* *Methanol from gas.*

- \* *Synthetic crude oil from coal (to provide insurance against unforeseen difficulties in extracting oil from shale).*

- \* *Surface retorting and recovery of oil and minerals, such as alumina, from high grade (greater than 25 gallons of oil per ton) oil shales to provide insurance against unforeseen difficulties in or costs associated with in situ recovery and to determine environmental feasibility.*

### UNDERGROUND NUCLEAR PLANTS.

*Recommendation. The federal government should encourage the investigation of the engineering, design, and maintenance problems and costs of*

*siting reactors underground to improve safety and security by sharing in costs of designing and constructing a large nuclear power reactor underground.*

### INTERNATIONAL COOPERATION

*Recommendation. The federal government should encourage other nations to participate in joint research and development and should share the results with all nations directed toward:*

- \* *Making gas, methanol, and synthetic oil from coal, sharing the results freely with all nations.*

- \* *Safer and more efficient reactor designs including breeder reactors.*

- \* *Recovering oil and minerals from low grade (less than 15 gallons oil per ton) shale.*

### GENERAL AND INSTITUTIONAL

*Recommendation. The federal government should establish an agency (which might be called the National Resource Mobilization Corporation) to make guaranteed loans and to purchase products above market price to encourage the development of new energy sources by the private sector or provide subsidies for these products. The financial resources for this agency might come from a tax on energy production or use.*

*Recommendation. Through an appropriate federal agency (such as National Resources Mobilization Corporation referred to above) the federal government should contract to purchase from each of five different companies, for example, 10 million barrels of oil produced from shale at \$20 per barrel and another 40 million barrels from each of five companies at \$12 to \$14 per barrel...*

*Similarly, the federal government should contract to purchase from each of six different companies, for example, 5 billion cubic feet of pipeline quality gas made from coal gasification at \$3 per thousand cubic feet and another 20 billion cubic feet from each of six companies at \$1.50 per thousand cubic feet...*

*Recommendation. The federal government should enact legislation establishing an Energy Trust Fund with provisions controlling the expenditure of funds in a manner similar to the Highway Trust Fund. All taxes, fees, and tariffs levied after January 1, 1976 against energy supplies or the companies or individuals producing or using them should be put into the Energy Trust Fund. Disbursements from this fund should be made only to increase the supply or the availability of energy.*

The Commission's recommendations, presented here in their near-entirety, show up the report's title, *Power and Security*, in a particularly ironic light. With the scrapping of basic research in favor of quick-fix, "pragmatic" approaches to the energy problem, Nelson Rockefeller's Commission on Criminal Choices is guaranteeing that the U. S. faces a future of powerlessness, insecurity, and most likely obliteration.

— Kathleen Murphy

## Call For Mediterranean Countries' Participation At Belgrade

Malta's delegation to the Belgrade Conference on European Security and Cooperation formally proposed June 29 that the non-European Mediterranean states be invited to join the conference. Syria, Israel, Egypt, Morocco, Algeria, and Tunisia were specified in the resolution, which according to the Cuban news agency, *Prensa Latina*, is likely to receive a positive response. If passed, this motion could help to move the meeting away from the U.S. delegation's "human rights" machinations and proceed to substantive deliberations on Mediterranean and pan-European security and cooperation.

Yugoslavia, the host country has repeatedly emphasized its agreement with such an idea, and Central Committee Presidium member Lazar Kolisevski, at a press conference June 23 prior to his departure for Latin America, called for non-European Mediterranean countries to participate in all phases of the meeting.

Indications are that the U.S. delegation will fight tooth and nail to prevent such an expansion of the conference. According to spokesmen from the U.S. Congress' Helsinki Commission, the U.S. will try to block any discussion of "hot and broad issues," and will make every effort to prevent participation of non-European countries beyond formal greeting statements.

The Soviet delegation and the Soviet press have repeatedly attacked the U.S. maneuvers, calling for a "future-oriented dialogue" rather than a mere assessment of past results (focusing on the bogus "human rights" issue) in implementing the 1975 Helsinki accord. The Soviet trade union daily *Trud* June 28 equated the disruptions of dissident protesters outside the meeting hall with the moves of the Carter Administration: "It must not be overlooked that certain forces are trying to create a situation of tension around the Belgrade meeting. This, in particular, was the purpose of the provocation by Zionist elements who came to the city disguised as tourists. This was stopped by Yugoslav security forces. The report sent by the White House to the so-called U.S. Congressional Committee on Security and Cooperation in Europe serves the very same purpose...It is no accident that this report has been cited by all enemies of detente, both in the U.S. and in the other NATO countries."

Belgrade is concurrently hosting a meeting of the Non-Aligned nations' finance ministers and central bankers to discuss implementation of the resolutions of the 1976 Colombo Conference of the Non-Aligned movement, which called for the establishment of a new world economic order, including debt moratoria and new banking institutions to finance development and trade.

## Soviets Bounce Carrillo; Eurocommunism Sings Swan Song

The internationally circulated Soviet publication *New Times* last week published a violent attack against the most rotten among the Western European Communist Parties, the Spanish party of Santiago Carrillo (PCE), which has been generally viewed as a notice of "excommunication" from the communist movement. In a statement which Spanish radio characterized as comparable only to 1968 attacks against Dubcek leading up to the Czechoslovak Prague Spring, *New Times* charged Carrillo with attempting to split the communist movement by setting the West European CPs against those of the East, perpetuating the division of Europe into military blocs, attempting to discredit the Soviet Union, and generally acting as an agent of imperialism.

As broadly recognized by the leading Western press

outlets and political commentators, the unprecedented Soviet action represented an unmistakable end to Moscow's toleration of the so-called "Eurocommunist" (anti-Soviet) phenomenon within the Western Communist parties. The new Soviet tactic, as admitted by Carrillo himself in a press conference on June 27, will be to split the PCE in favor of creating a new pro-Soviet party. By implication, as discussed by the Washington Post among others, the Soviets are ready to carry out a similar program against any other Western party which refuses to redress its Atlanticist proclivities.

Speaking to journalists on June 27, Carrillo bluffed that the Soviets would not succeed in dividing his party in favor of the contending pro-Soviet Spanish Communist Workers Party (PCOE) led by General Enrique Lister in

exile in Paris. Even while he spoke, the press was beginning to speak of a growing "Stalinist" phenomenon among PCE ranks. The conservative British *Daily Telegraph* reported days prior to the *New Times* release that Carrillo was facing a "strong attack" from the "Stalinist" wing of the PCE which blamed the poor party showing in the recent elections on Carrillo's virulent anti-Sovietism. Similar reports escalated subsequently, penetrating even into the pages of the *New York Times* which cited a PCE Central Committee member expressing his "surprise" by "the hard-line (pro-Soviet) stand taken by many young people from the provinces."

#### *No Help Coming*

As might be expected, Carrillo's calls for support from his "fraternal" "Eurocommunist" parties elsewhere in Europe have gone unheeded, particularly in the case of the powerful Italian Communist Party (PCI). The PCI's daily, *Unità*, initially responded to the *New Times* condemnation by dubbing it "ambiguous." This was followed rapidly by subsequent articles denying the very existence of "Eurocommunism" as a realized tendency among the Western CPs.

At the same time, PCI Politburo member Gian Carlo Pajetta suddenly announced that he would be leading a top-level delegation to Moscow for discussions a propos of the Carrillo "excommunication." Before departing Pajetta announced over Italian television that, as an autonomous party, the PCI was free to criticize Carrillo and that, furthermore, the Italian Communists' position on the USSR was directly opposite to that of Carrillo. Central Committee member Macaluso, who will accompany Pajetta to Moscow, simultaneously told an interviewer from *L'Espresso* magazine that the PCI "cannot forget" that the Soviet Union was the first country to establish socialism.

Isolated from the international movement, with an electoral defeat on his hands, a growing pro-Soviet phenomenon among his ranks, and a solidly pro-Moscow leadership under General Lister organizing to assume control of Spanish Communism with Soviet backing, Carrillo is singing the swan song of Atlanticist Eurocommunism for Spain and the rest of the communist movement.

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## Western Press Looks At Moscow's Attack On Carrillo

The *New Times* attack on Carrillo has elicited a wave of panic and consternation from the western media. On June 26, the *New York Times* ran no less than nine commentaries and articles on the prospects for the Eurocommunist movement. West Germany's highly conservative *Frankfurter Allgemeine Zeitung* covered Carrillo's June 28 press conference as its page one lead, prominently quoting Carrillo on Moscow's possible intention to replace him with Enrique Lister, chairman of the pro-Soviet Spanish Communist Workers Party.

As the excerpts below show, the "Eurocommunist" factions in the French and Italian Communist Parties

have correctly understood the *New Times* attack as a warning to them as well, and have gone out of their way to clarify exactly how their own strategy disagrees with Carrillo's.

Also, the Mexican daily *Excelsior* featured on June 30 the joyful response of PCOE chairman Enrique Lister to Moscow's moves.

### Italy

*Unità*, daily of the Italian Communist Party, June 28, "Eurocommunism, *New Times* and Us":

Strongly denies that Carrillo will receive any support from their party. Explaining the PCI's actual relationship to Moscow, the article notes that "there were contrasts in the tone in some parts of the *New Times* article, especially on the problem of an independent Europe... What we want and what we are doing is not an attack against the Soviet Union, but a strategy of alliance in Europe... (*New Times* also distinguished between) the problems of the strategy and tactics of European communists." *Unità* adds: "We don't want to enter into the discussion of Carrillo's book, but we say that a doctrine of Eurocommunism does not exist..."

*Corriere della Sera*, June 28:

Brezhnev's strategy "is now to sabotage the Common Program in France and to split the French Communist Party from (Socialist Party chairman) Mitterrand."

*Il Giornale*, June 27, "Carrillo Isolated, Berlinguer Does Not Follow Him":

Berlinguer, chairman of the Italian CP, and highly compromised for his previous open endorsements of the Eurocommunist movement, revealed upon publication of the *New Times* attack that his party had refused to campaign for Carrillo during the recent Spanish elections, and this contributed to Carrillo's low returns.

### France

*Le Monde*, June 28, Carrillo interview:

Carrillo was asked, "Are you going to discuss a new strategy with the PCF (French CP) and the PCI (Italian CP)?" He answered: "No, everyone will defend himself on his own..."

*Le Monde*, June 28:

"One of the aims of the Soviets is to help each brother party (in the Soviet bloc), its devoted friends, to impose their views... the issues of the debate are as important for the Italian and French communist parties as they are for the Hungarians or the Poles. A confrontation within the communist movement would inevitably lead to the end of any and all independent endeavors, even modest ones, and bring (the CPs) to tighten ranks around the grand Soviet protector. Maybe it is too late to stop the excommunicating zeal of the Kremlin ideologists."

## West Germany

Frankfurter Allgemeine Zeitung, June 29:

Reported in detail on Carrillo's Madrid press conference. It states that "Carrillo sees it as possible that the next move by the Soviet Party will be just as aggressive as the attack in the Moscow weekly newspaper *New Times*... 'Possibly the Soviets will think up a new intrigue, in order to attempt to destroy our party...', (he said). Carrillo also told journalists that perhaps the Soviets were attempting to make another go with Lister, whom they kept on the sidelines. Nevertheless, the party would stand united behind him... Even the member of the central committee who had abstained from voting on the communiqué responding to the Soviets did that primarily out of formal considerations... 'We will not execute any complete break. If the Soviets want to break with us, then they should do it quickly. I will not be brought down from my position, whatever happens.' "

## USA

New York Times, June 27:

Reported on the meeting of the PCE Central Committee meeting where Carrillo received official support against Moscow from the leadership of the party. The *Times* added, however, that the vote "contrasted markedly with the more restrained reactions of the French and Italian parties, which have not yet come under direct attack from Moscow.

"A member of the Central Committee (of the PCE) said the statement had been passed without difficulty, though it did not seem to have resolved simmering differences between Mr. Carrillo and more hard-line figures like Dolores Ibarruri, the party's 81-year-old president, and Marcelino Camacho, head of the Communist-dominated Workers Commissions.

"There have been some people who we can say, vacillated, and said that maybe we had gone too far,' said the Central Committee member, adding that he was surprised by the hard-line stand taken by 'many young people from the provinces.'

"Superficially, the Central Committee statement seemed to solidify Mr. Carrillo's already strong position,

but some Spanish political analysts suspect that problems may lie ahead if the floundering economy pinches even more on the party's working-class base, turning it more militant.

"... 'There is no doubt that the Soviet censure of Santiago Carrillo,... is intended to further open a crisis... and prepare the conditions for the creation of a pro-Soviet party,' (one Spanish commentator wrote)."

## Mexico

*The Mexican daily Excelsior on an article from the Paris Diario 16:*

Reports that Enrique Lister, who in 1970 produced a split in the PCE to form the PCOE, did not conceal his joy at the attacks on Carrillo by the Soviet magazine *New Times*, which is linked to the Soviet foreign ministry.

"It pleases us," said Lister, "not only because it proves us correct, but because of the repercussions and the consequences that this is going to have throughout the international communist movement."

In a few days, Lister is going to issue a communiqué, which he gave in advance to *Diario 16*.

"What is important is that it is a Soviet magazine that today publicly unmasks the dirty activity of Carrillo and his followers and cohorts in other countries. The PCOE has been denouncing what was covered by the magazine, and much more, since its founding in 1970," Lister said.

Lister referred to the low percentage obtained by the PCE in the elections: "Carrillo and his friends inside and outside of Spain have made great efforts to explain the defeat the misnamed PCE suffered. They have blamed it on the 40 years of fascism, the animosity among Spaniards towards communism, and other such things. This is rubbish, the truth is otherwise. What the Spanish workers have condemned by not voting for the PCE is the treachery of Carrillo to Communist ideas. This is a social-democratic party. This is the truth which no cajoling can change."

In the commentaries in the Spanish and French press, numerous references are made to the fact that Lister separated from the Carrillo PCE in 1970 as a result of the Czechoslovakian events. Lister explained to *Diario 16*: "Our differences stem from way back; I prepared a virulent attack on Carrillo which is related in my memoirs, which are being published in parts in Spain."

## The Fight Over Nuclear Energy—

### 'Those Who Work... Those Who Collect Rent...'

The government of West German Chancellor Helmut Schmidt and the Gaullist Party of France both have vowed to root out the opposition to nuclear energy that has plagued both countries in the recent months.

Schmidt last week reasserted the soundness of his pro-nuclear energy stand and his intention to fight it out with the Atlanticist-inspired local opposition in the country. In an interview in the West German paper *Evangelische Kommentare*, Schmidt gave a detailed explanation of why nuclear energy is necessary for the development of industrial production and the creation of jobs. Then, referring to the actions by the State of Lower Saxony blocking the allocation of a site for the building of a nuclear power plant, and a similar effort by the courts of the state of Baden-Württemberg, Schmidt talked about the "serious obstacles" to the realization of his energy plan, obstacles located in the division of power between federal and local state authorities.

The Economics Minister of Baden-Württemberg, Mr. Eberle, agrees with Schmidt. He has appealed to West German Interior Minister Maihoffer to reverse the state's court decision and allow the construction of the fission plant that alone "can provide cheap energy to the state and relieve the unemployment problem."

West Germany's major nuclear power concern, the Kraftwerke Union (KWU), intervened in the political fight led by Schmidt with a scathing attack on the anti-fission program of the Free Democratic Party, the junior partner in the federal coalition government of Schmidt's SPD. The KWU has demanded that the FDP revise this program; as it stands, the KWU says, it is unacceptable for the federal authorities, because "it would lead to a serious energy crisis in the country."

To provide the popular support necessary to implement his policy Schmidt realizes that West Germans require an in-depth understanding of their fundamental interest in nuclear development and has taken steps to promote such understanding. Addressing the congress of the German Scientists Association, the Chancellor accused this scientific elite of lethargy because "the basic belief in progress has faded away in our population." Schmidt told the gathering that "it is the duty of scientists to campaign on behalf of scientific progress and restore this belief."

In France the National Electricity Company EDF has waged a courageous and at times lonely fight to maintain its nuclear development program, one of the most extensive in Western Europe. Arrayed against EDF has been a growing ecology movement — (with documented ties to the Washington-based Institute for Policy Studies) — backed by the Atlanticist-controlled trade union federation the CFDT as well as factions in the

French Communist and Socialist Parties.

The ecology forces have been able to successfully delay the nuclear development program over the past year or so with an escalating campaign involving such tactics as: court appeals over the choice of sites for construction; organizing rural populations against EDF on the basis of fear over the dangers of "radioactivity;" and deployment of terrorist "night commandos" to attack nuclear plant sites.

The Giscard government has failed to take any measures against the provocateurs, and instead has implicitly supported zero growth with campaigns for solar energy and the imposition of heavy fines on EDF for consuming more than its fuel quota in the government-directed energy savings plan.

Thus the rallying of the Gaullist RPR Party to the side of EDF in the French nuclear power fight provides an important institutional voice for the majority of French workers and industrialists who strongly favor growth and development. Two days before an expected government decision on whether — and by how much — to slow down the EDF's planned construction schedule of nuclear plants over the next two years, the RPR put out a release stating that nuclear energy is a "top priority." The RPR press release, which received little attention in the French press, states in part that the EDF's "ambitious and realistic program to provide one-fourth of France's total energy needs through nuclear energy by 1985, must of necessity be carried through."

Gaullist Baron Michel Debré, who in recent weeks had virtually withdrawn from the main political arenas of France by becoming embroiled exclusively in the controversy over the proposed European Parliament, reappeared on the scene June 30 to take leadership in the fight for energy. In a speech that startled French Deputies out of their summer slumber, Debré put Prime Minister Raymond Barre, whose government has sidestepped the nuclear issue, on the proverbial hot seat in the National Assembly. In a question put to Barre, Debré stated that the anti-nuclear forces were opposing the national interest, and demanded to know what the government was doing about the growing spate of anti-nuclear demonstrations. Flabbergasted, Barre could only give limp reassurances that the French government had never faltered in the support of the nuclear program.

Both West German and French pro-development forces privately identify the Carter White House as the "common enemy," and keep a close watch on the anti-Carter "positive American tendency," as a front-page article in the French paper *Aurore* characterized forces represented in the Seabrook pro-nuclear demonstration in New Hampshire.

An American spokesman for the Fusion Energy Foundation who recently traveled in France, made available to NSIPS the following remark by an EDF nuclear engineer: "There are two sorts of people in the world,

those who work with their brains or hands and those who collect rent... You Americans are a people who work, but your government has been doing nothing but collecting rent for years..."

## Six-Party Accord Signed In Italy

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### ITALY

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Italy's six political parties — including the ruling Christian Democracy — signed an agreement on a limited program of social and economic legislation June 28.

Although the mini-accord does not immediately alter the Italian political composition, it does mark the first time in 30 years that the Italian Communist Party (PCI) has officially participated in negotiations to formulate government initiatives. The PCI, the second major Italian party, has supported the pro-industry Andreotti government since its inception 12 months ago, through its abstention vote on Parliamentary issues.

While the terms of the accord are as yet unpublished, the accord represents the institutionalization of PCI-DC collaboration on an economic growth policy.

The importance of the accord was underlined by vice-president of the PCI's deputies group in the Chamber, Fernando DiGiulio in last week's issue of *Il Mondo*. DiGiulio, who has acted as the official liaison between the PCI and the Andreotti government stated: "Now with the

accord on the programmatic points, the new political situation is represented by the existence, on certain essential political questions, of an unprecedented agreement among all the parties... In fact, while today, there is a necessity for the government to negotiate separately with each party, with the accord reached, the government can count on certain support, and base its action on this common program..."

The negotiations for the accord which began three weeks ago, were under constant attack from their inception by the Atlanticist DC party president Aldo Moro, Rockefeller's inside man in the DC. Yesterday, after the accord was signed, Moro demanded, in addition, a Parliamentary vote. It is expected that the parties will now launch a series of negotiations on how best to present the projects to the Parliament.

Ugo LaMalfa, president of the Italian Republican Party (PRI), signed the accord despite the disruptive role he played throughout the negotiations. According to today's *Journal of Commerce*, LaMalfa, "the fiscal watchdog" signed despite "strong disagreement on the economic package...LaMalfa considered the provisions on labor costs and wages merely cosmetic in attacking Italy's annual 20 percent inflation rate."

# U.S. Policy Collapse In Middle East

## Brzezinski, Javits Set War Course

President Carter, faced with political revolt at home and abroad on his bungling Middle East policy, yesterday ordered a "moratorium" on official comment about the details of U.S. Middle East policy, to be continued until the arrival of Israel's Prime Minister Menachem Begin in Washington on July 19. "Everything in this city will be shut down tight until then," a prominent pro-Israeli Washington lawyer said hopefully today. "You won't get a word out of anybody until then."

Carter's gag rule followed a week in which nearly every section of the U.S. Senate, and both Arab and Israeli leaders, blasted the incompetent and dangerous U.S. course in the Middle East.

The uproar was triggered by reports in the Middle East that Secretary of State Cyrus Vance, who is scheduled to return to the area on a mission of shuttle diplomacy later this month, will carry with him an order to revive the discredited "Allon Plan." Under the Allon Plan, and similar projects proposed in 1972 by Jordan's King Hussein under the rubric of the "United Arab Kingdom," Israel and King Hussein would divide the West Bank between themselves at the expense of the Palestine Liberation Organization.

According to several sources in Washington, the man behind the Allon Plan revival is Zbigniew Brzezinski, the President's assistant for national security. Brzezinski will try to ram the plan past both Israeli and Arab opposition by threatening to ignite a fifth Middle East war. The strategy behind the Brzezinski gambit is a quick power play to achieve a U.S. takeover of the Middle East, a Pax Americana in which the U.S. would be the sole mediator of the Arab-Israeli conflict.

The formula proposed by Brzezinski is a direct challenge to Soviet interests in the Middle East, and therefore sets the region on a course toward a thermonuclear showdown. For that reason, U.S. opposition to the Brzezinski scheme has exploded in Congress and in U.S. political circles.

### *The Ha'aretz Leak*

According to the Israeli daily *Ha'aretz*, whose views closely reflect those of Foreign Minister Moshe Dayan, Washington intends to make public in the near future a Pax Americana plan for the Middle East authored by Brzezinski and the National Security Council. The plan, the implementation of which will involve a return to Henry Kissinger's step-by-step diplomacy, calls for Israel and King Hussein's Jordan to share jurisdiction over the West Bank, which would have "internal autonomy" under Jordanian political control and with a continued Israeli military presence.

The plan leaves out the PLO, which is seeking to establish an independent Palestinian state on the West Bank. Nor does the plan involve the reconvening of the long-postponed Geneva Conference on the Middle East.

The destruction of the PLO, which was narrowly averted during a two-year civil war in Lebanon that ended only with the Saudi-imposed ceasefire of last October, thus becomes a prime agenda item for the Carter Administration. The elimination of the PLO, which fully backs the Palestinian claim to a State on the West Bank, and of the PLO's supporters in the Arab world, would leave the U.S. in almost total control of the Arab world, shutting out the USSR. This, in turn, would permanently block the current momentum toward a Mediterranean security pact among the Comecon, the EEC, and the Arab League.

The *Ha'aretz* leak, which was confirmed by Washington sources, may have been part of a prearranged effort by circles around Dayan and Kissinger to derail the unrealistic and dangerous Brzezinski plan in favor of a return to step-by-step diplomacy à la Kissinger — purely a stalling effort, with no commitment, like Brzezinski, to an immediate Pax Americana. *Ha'aretz*, known as a supporter of step-by-step diplomacy, is thought to be working also with Senator Jacob Javits, "the Senator from Chase Manhattan." Javits, desperate to win Saudi petrodollars for the Chase coffers, issued a sharp attack on the Carter Middle East policy early last week before leaving on a tour of the Middle East.

### *Soviets, PLO Hit Carter*

The Soviet Union and the Palestine Liberation Organization have served notice on the Carter Administration that current U.S. plans to impose an "American solution" on the Middle East will not only fail, but will lead to a fifth Arab-Israeli war.

In a series of statements, the PLO blasted Carter and affirmed its demand for the creation of an independent Palestinian state on the occupied West Bank and Gaza in a Middle East peace settlement. Responding to reports that the U.S. is seeking to implement a version of the "Allon Plan," a PLO spokesman announced that his organization "categorically rejects" an imposed federation between Jordan and the West Bank.

"The Administration of Jimmy Carter knows what it is doing," said the PLO's Voice of Palestine radio. "Carter's recent statements are inciting reactionary Arab forces to a new criminal war against the Palestinians," warned the PLO, which added that the Carter regime was seeking to continue "Kissinger's two-year war in Lebanon, which failed to remove the Palestinian revo-



lution as an obstacle to the American solution."

#### *Soviets Back PLO, Arabs*

The Soviet Union has made it clear that it fully supports the Arab states in a rejection of the "Allon Plan" Pax Americana. If the U.S. dares to provoke war in the area to enforce its policy, the USSR is prepared to meet the confrontation head on.

The tone for the Soviet counteroffensive in the Middle East was set by Victor Zamyatin, the director of the TASS news agency, in an interview on Soviet television June 26. Dropping previous Soviet restraint in attacks on the Carter Administration's Middle East policy, Zamyatin accused the U.S. of "exercising tremendous efforts to weaken Soviet influence in the Arab world."

Amid reports of renewed arms shipments by the USSR into the Middle East, Syrian Defense Minister Mustafa Tlas arrived in Moscow for high-level consultations. The visit by Tlas comes only days after a visit to Moscow by the PLO's Nayif Hawatmeh, following which the Soviets reaffirmed their commitment to back the PLO in setting up an independent Palestinian state.

Citing both Egyptian and Syrian military sources, the Soviet military daily *Red Star* reported extensively yesterday on Arab preparations for war. According to *Red Star*, Defense Minister Gamassy of Egypt told Egyptian troops yesterday that Egypt's "armed forces are again ready to show their might in hostilities with the enemy."

"Washington continues to refuse to play an effective role in the region," *Red Star* quoted the Syrian newspaper *Al-Baath* in an editorial. "The Arabs don't expect anything more from the U.S. The Arab masses justly demand from their leaders to hold a more serious position, and to mobilize all their forces before it is too late."

#### *Javits Wants War*

The growing strength of the Arab-Soviet alliance, which includes moves by Egypt to end its long Cold War with the Soviet Union, coincides with a dangerous new tack by the Carter regime and the Rockefeller forces: to shift toward a confrontation with the Arabs and ram the "Allon Plan" past strong Arab resistance. The primary spokesman for the Carter shift is Jacob Javits, the "senator from Chase Manhattan Bank."

Javits, who is desperately seeking to break the will of the Arabs and seize hold of Saudi Arabia's vast store of petrodollars to bail out Rockefeller's bankrupt New York banks, issued a widely publicized attack on the Carter Administration's Middle East policy two days ago. Javits accused the Administration of putting too much pressure on Israel, called the PLO "riflemen" and terrorists, and urged that the U.S. lend its full support to the new Israeli government of extremist Menachem Begin.

Javits' speech was delivered the day after Carter decided to sell \$115 million in high-technology weaponry to Israel. The speech — which clearly was choreographed by Nelson Rockefeller, Javits' paymaster — and the arms deal, taken together, are a signal from Carter that the U.S. is considering an about-face on its Middle East policy, toward open support for a new Israeli attack on the Arabs.

In the meantime, the just-installed Israeli government is growing more and more fearful of a political confront-

ation with Carter, unless the U.S. abandons its mealy-mouthed proposal for a Palestinian "homeland" and a return to Israel's 1967 borders. This, and U.S. reports of rising "U.S.-Israel tension," are nothing more than a cynical effort to convince the Arab states to accept U.S. offers to mediate a peace plan.

The idea of a real U.S.-Israeli split was ridiculed yesterday in the Soviet Union's *Pravda*, which blasted the U.S. announcement of the arms sale as indicating the "gap between words and deeds" in Carter's Middle East policy. By posturing in an anti-Israeli manner, said *Pravda*, the U.S. "is trying hard to create the impression of a friendly attitude toward the Arabs." However, some Arab states — especially Egypt — are giving broad indications that they might be willing to consider the U.S. imposed solution.

#### *U.S. Losing Control*

But the hard reality of the situation in the Middle East is that, because of Soviet military superiority vis-à-vis the United States, the U.S. cannot really afford the risk of a showdown in the region. The threat of war in the Middle East is nothing more than a brinkmanship bluff by Carter, while the Arabs — and possibly the Israelis — look toward closer links with Moscow and Western Europe. "The Administration is losing control in the Middle East," said a top planner at Rand Corporation headquarters, "of both Israelis and Arabs."

The election of the Likud bloc's Menachem Begin has inserted a wild card into the politics of the area. To the extent that the Begin government can resist the influence of Foreign Minister Moshe Dayan, the Likud may further destabilize Carter's plans by refusing to withdraw from the West Bank at all, Allon Plan or not!

In fact, one Pentagon analyst says that Vance, during his shuttle, may offer to dump Begin and replace him with Dayan as a concession of sorts to the Arabs. The analyst added, "The problem Carter has is that it's not easy to destabilize the Israeli government without getting into big trouble."

#### *Israeli Blackmail*

Brzezinski and Vance hope to terrify Egypt, Syria, and Saudi Arabia into going along with the planned Pax Americana by threatening to let loose the Israeli war machine now controlled by Dayan and Defense Minister Ezer Weizman, Dayan's brother-in-law.

Weizman and Dayan, along with General Ariel Sharon, have effectively taken over the Likud bloc government, established this week after Likud's surprise victory in the May 17 Israeli elections. The Weizman-Dayan clique — operating on direct orders from Nelson Rockefeller — is now in a position to maneuver the Likud fanatics into an Arab-Israeli war using the growing crisis in south Lebanon.

Last week, the new Israeli government issued a continuous stream of provocations to the Arabs, beginning with loud proclamations from Dayan and Prime Minister Menachem Begin on Israel's "holy right" to annex the occupied West Bank.

Dayan made his statement after a telephone conversation with Henry A. Kissinger.

Weizman, who is fast reorganizing the defense ministry, has come out with a series of psychotic challenges to

the Arabs. On June 24, Weizman said he would like to meet PLO Chairman Yasser Arafat, but then added, "I'll tell him what I think of him, and he will tell me what he thinks of me. If he shoots me, I'll shoot him back." Then in an interview with a Danish newspaper, Weizman invited the Arabs to start a war, "because this would perhaps help solve the Mideast problem. Either the two peoples learn to live together, or else one of them will be kicked out."

Ariel Sharon, the warhawk Agriculture Minister, promised to set up dozens of new Jewish settlements in the West Bank, despite international law and Arab public opinion, which will become inflamed by such provocations.

#### *The EEC Angle*

In London, a meeting of the heads of state of the European Economic Community (EEC) on June 29 called the Carter bluff in the Middle East. After months of vacillation, during which the EEC refused under U.S. pressure to issue a declaration on the crisis in the Middle East, the EEC Summit declared in favor of a concrete expression for the Palestinian "national identity," a return by Israel to the 1967 borders, and offered EEC support for a system of international guarantees for a peace settlement in the framework of a United Nations decision. The EEC also called for an "urgent" return to the Geneva Conference.

Naturally, in the Arab world, the EEC statement was welcomed. Cairo, which had earlier urged the EEC to not postpone its statement, was reported to be jubilant, and Foreign Minister Fahmi of Egypt called the move a "positive step." The PLO also endorsed the EEC call, but qualified its endorsement by noting "generalities" — a

reference to the fact that the EEC refused to mention the PLO by name.

More important however is the Israeli reaction. On the surface, of course, the Israelis condemned the EEC for capitulating to the pressure of Arab oil. In a fiery speech, Prime Minister Begin referred to Europe as a "continent drenched in Jewish blood," and vowed that Israel would never relinquish the occupied West Bank or recognize the Palestinians. But it is likely that Begin was largely playing to the galleries in Israel, while, quietly, Israeli diplomats were pursuing the EEC channel as an alternative to the U.S.; mediation and the horrors of Carter diplomacy.

Israeli sources in Rome, for instance, reported yesterday that a delegation from the Israeli foreign ministry arrived secretly in Italy for unofficial talks with Arab officials. Of note is the fact that Foreign Minister Khaddam of Syria was in Rome from June 28-30. In addition, the Israeli ambassador to Rome, on the inaugural day of the EEC-Israeli accords, July 1, said that the links between Israel and the EEC, like the links between the EEC and the Arab world, could lead to a general rapprochement between Israel and the Arabs in the Middle East.

The ambassador's statement was virtually unprecedented in Israeli history, since the Israeli attitude toward Europe — expressed most crudely by former Israeli Foreign Minister Allon — was to tell the Europeans to stay out of the politics of the Arab-Israeli dispute.

Even more interesting is the report from Capitol Hill, from a source close to Israeli circles, that Prime Minister Begin was considering declaring a debt moratorium. A hint in this direction was provided by the chairman of the Israeli Industrial Association, who said, "Israel is bankrupted. It has a foreign debt of \$10 billion."

— Bob Dreyfuss

## PLO Rejects Carter Plans

*The Carter Administration is beginning a concerted effort to dilute and ultimately replace the current leadership of the Palestine Liberation Organization with pro-U.S. agents from the Palestinian rightwing on the West Bank and in the Syrian branch of the PLO, Saiqa. The move against the leadership of the PLO including chairman Yasser Arafat is part of the Carter-Brzezinski plan to establish a Jordanian-Palestinian confederation on the West Bank. The plan has been roundly rejected by the PLO leadership, who have also "categorically excluded" any possibility of discussion with members of the current Israeli government on this issue.*

*PLO Foreign Minister Farouk Kaddoumi demanded instead the formation of an Independent Palestinian state which, once independent, could form relations with Jordan or any other state. A Palestinian-Jordanian state on the West Bank would be little more than an "Arab province" of Israel if the Brzezinski plan is carried out. When asked whether the Arab states will accept the Carter Administration formula for the West Bank, PLO leaders were reported by the French daily Le Figaro to have "smiled and claimed to be able to play, for a long time yet, on Arab contradictions."*

*The following are excerpts from Falastin Ath-Thawra, the original organ of the PLO, warning against U.S.*

*peace efforts as but a cover for a war drive.*

The pseudo peace-efforts of the United States will only lead to regaining a very insignificant part of the occupied Arab areas, at the expense of creating a dangerous situation in the Arab area. This will make the Arab demand for regaining their lands look like provocation to Israel, justifying a new aggression of the June 1967 type, with guaranteed results for Zionism and imperialism on the local and international levels.

The small U.S. peace steps are only a cover for big conspiracies against the Arab and Palestine liberation movements. This will lead the area to an inevitable war if the imperialist attempts currently taking place fail to subjugate the Arab area by easy capitulation to imperialist and Zionist conditions. We are confident that the Arab circumstances currently existing — aimed at reaping the fruits of the June 5, 1967 aggression and imposing imperialist and Zionist hegemony and influence on the Arab area for a long time to come. The Arabs have been given general phrases, hints and suggestions, void of any practical significance. Even the phrase "a homeland for the Palestinians:" which U.S. President Carter reiterates is merely general and vague lipservice imposed by the Palestinian steadfastness on the facts of the situation.

The vagueness in Carter's statements is part of the continuing plot against the Palestine revolution and people under the slogan of the "alternate homeland" adopted by the individuals and regimes which are hostile to the rights of the Palestinian people to self-determination and the establishment of their national, independent state. The administration of President Carter knows exactly what it is doing. It is currently working for the establishment of a local front to oppose the Palestinian people and to prevent them from exercising their right to self-determination. Carter's statements are instigating these forces to unleash a criminal war against the Palestinian revolution. Emerging from the circle of illusions created by the United States and entering the circle of patriotic and nationalistic action are the only thing which can save the Arab position from falling victim to another aggression of the 5 June type. The American solution has dismembered the Arab front through illusions, promises and aid. Consequently, it has created unpatriotic alliances which take national decisions without an independent will, but totally linked with the American decisions.

Arab-Soviet relations should be restored to normal, consolidated and strengthened. The experience of the last 6 years has proven that ignoring Arab-Soviet friendship has always led to subjugation to U.S. imperialism, whether under the pretext that the solution is in the hands of the United States or that Washington is giving economic and financial aid to this or that Arab regime and protecting it against inevitable collapse. Arab-Soviet friendship certainly creates the objective conditions for the liberation of the land, while Arab-American friendship creates the objective conditions for Arab capitulation and for further Zionist military adventures against the Arab nation.

The role of the Palestinian revolution in Lebanon must be consolidated. The plot against the Palestinian revolution in the last 2 years has been a basic link in the comprehensive design to subjugate the Arab nation. It is now evident that the American solution will be imposed by the Zionist tanks which are getting ready to unleash aggression.

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## Soviets: Israel Breakaway A Hoax

*The following commentary by Viktor Viktorov was broadcast by Radio Moscow June 29 in English to North America. It concerns President Jimmy Carter's decision to sell \$115 million in arms to Israel.*

This pact cannot be looked upon as anything but more encouragement to the expansionist designs of the Israeli leaders. It is especially dangerous because the head of state is the leader of the right-wing extremist Likud bloc, Menachem Begin. His government does not hide its intention to block all efforts for a peaceful settlement in the Middle East. Washington has not spared efforts to indulge the Tel Aviv war government... (In his recent speech, Vice President) Mondale stressed the consistent and unchanging nature of the so-called special relations between Tel Aviv and Washington. A similar statement has been made by Secretary of State Cyrus Vance. These statements, as has been noted in the American press, should create an appropriate climate for Menachem Begin's trip to the United States in July.

But the United States, as everyone can see, is not only giving verbal support to the Israeli leaders. The latest weapons are leaving the Pentagon arsenals in a steady stream for Tel Aviv. Some of these weapons are not even used by the American armed forces...

And after all this, Washington still insists that the United States is putting some kind of pressure on Tel Aviv, supposedly in an attempt to have Israeli troops withdrawn from the occupied Arab lands. Washington's

pro-Israel position is actually encouraging the Tel Aviv hawks... It is not hard to prove that such policy threatens a military clash in view of the tense atmosphere in the Middle East.

\* \* \*

*The following are releases from the Soviet press agency TASS:*

CAIRO — At a ceremony of graduation of a group of officers from the naval college in Alexandria, Egyptian war minister A. Al-Gamassi spoke. Concerning the situation in Israel, he stated: "We are very carefully following the activation there of extremist attitudes, and our armed forces are again prepared to show their strength in confrontation with the enemy. Israel's goals and its military strategy are not new for us, and Egypt, while calling to establish a just and firm peace, continues to strengthen its army."

DAMASCUS — The decision of the American Administration to make new arms deliveries to Israel does not do anything for the cause of peace. It is a new affirmation of the unchanged nature of U.S. policy in the Middle East, which helps prolong the illegal occupation and is a challenge to world public opinion, writes the Syrian newspaper *Al-Baath*.

The latest White House statements, continues the newspaper, demonstrate that Washington will continue to refuse to play an effective role in this region as far as reaching a settlement of the Middle East crisis goes.

In light of the present situation, stresses *Al-Baath*, the Arab masses are right to demand that their leaders take a more serious position and mobilize all forces, before it is too late, in order to be prepared for any turn of events.

# Faction Fights In Egypt, Syria

The heaviest fighting near Beirut in nearly a year, between the Syrian-controlled As-Saiqa Palestinian commando group and the pro-Iraq Popular Front for the Liberation of Palestine is a sign that the leaderships of Syria and Egypt are in the midst of critical internal factional fights. The fundamental question coming to a head in these two strategically vital Mideast countries is whether or not to help the Carter Administration pull together a "Pax Americana" in the Mideast. The basis of that "peace" would be the decapitation of the present leadership of the Palestine Liberation Organization if not the elimination of the PLO entirely as a political force.

An important question in this context is whether Syrian President Hafez Assad would order his units to launch new offensives against dissident Palestinian groups in Lebanon. Assad has given several indications that he is preparing new action modeled on the attacks perpetrated by Syrian and Syrian-backed units last year.

Twenty-six people were killed and more wounded during an assault by Saiqa units against strongholds of the Popular Front for the Liberation of Palestine (PFLP). The pretext for the attack was the bombing of a Saiqa office outside Beirut.

Right after the attack, a Popular Front spokesman charged that the Saiqa office bombing was carried out by "Syrian secret service men to create an excuse for attacking other guerrilla groups." The charge was repeated by the central Palestinian command of PLO chairman Yasser Arafat, which accused Saiqa of "launching an all-out military operation under the pretext of reasserting their authority." Syria, the PLO charged, is "challenging" recent intensive efforts by the Lebanese government, formerly feuding factions in Lebanon, and Arab League representatives to find formulas to solve Lebanon's outstanding political differences.

Before this bloody episode, Assad had given two interviews which suggested his plans to further clamp down on dissident Palestinian groups in Lebanon. To the Paris-based *Al-Moustaqbal*, Assad contrived a tale that the U.S. last year gave him five warnings against moving into Lebanon and the Soviet Union one, but that "I ignored them all."

Assad later told a group of Egyptian journalists that "we have established a red line which we have explained to the Lebanese. We remain behind the Palestinian resistance," Assad remarked, "as long as they do not commit errors and their attention does not turn away from Palestine." As regards Carter, Assad declared, "He deserves our confidence."

Egyptian diplomats in the U.S. have privately declared their "full support" for Assad's moves in Lebanon and for his attitude toward Carter.

## *Factional Situation*

Such confident stances from Syria and Egypt belie the building factional situations in both countries.

Throughout June, the European press reported periodically on serious unrest in Syria, in the universities, in the army, and, more generally, in the larger cities. The motivations behind this unrest have filtered up to the top leadership levels. In mid-June, Arab diplomatic sources claim, a failed coup attempt was launched in the country.

Outside the Assad clique that tightly runs Syria, there are individuals with power who argue that Syria's policy must align itself with the European and East Bloc governments who are insisting that the 1975 Helsinki Accords be extended fully to the Mediterranean and with those Arab governments like Iraq and Libya who are demanding an Arab sector-wide political and military strategy vis-a-vis the Israelis and the Carter Administration.

The most influential member of this tendency is believed to be Premier Abdurrahman Khleifawi, who spent one week in Belgrade right before the Security and Cooperation talks now taking place there. Not surprisingly, the French press has recently mooted that Khleifawi will resign in August in protest against the Assad group's continual bypassing of his leadership prerogatives.

Deep internal strains were also evidenced in the June 20 assassination of Brigadier Abdul-Karim Razouk, chief of Syria's missile corps. Razouk, a recent Reuters dispatch from Paris reported, favored stronger ties with the Soviets instead of appeasement of the Carter Administration. Razouk had spent 1974-76 in Moscow for a two-year training course on sophisticated missile systems.

According to a leading Washington columnist, the Razouk assassination "sent chills down the spine of State Department Mideast experts," who evaluated it as the most definitive sign to date that the situation in Syria "may be slipping out of our control."

Even Assad's immediate group has not been able to withstand the pressures of those arguing for a solid neutralist, "Mediterranean"-oriented policy for Syria. On June 29, Defense Minister Mustafa Tlas suddenly departed for Moscow. Earlier in the week, Foreign Minister Abdul-Halib Khaddam, a close Assad ally, travelled to Italy for discussions with his Italian counterpart, Arnaldo Forlani. While in Italy, Khaddam issued an appeal for the European Economic Community to take greater independent responsibility for the Mideast. He also concluded a series of trade deals with Italians.

In Egypt, the internal situation is best defined by President Sadat's strident mid-week anti-communist

attacks, the harshest Sadat has ever issued. Thus, while Sadat was labelling the National Progressive Union Alliance "traitors" and "paid lackeys of Moscow," the government-controlled Cairo press was noticeably pulling away from attacks on the country's Soviet-backed neighbor, Libya. An Egyptian-Libyan reconciliation has been a fundamental point of Soviet Mideast diplomacy for months.

#### *Egyptian Crisis*

Sadat — whose survival in power as late as today is considered a near miracle by veteran Mideast observers — is facing the first signs of revolt from a military-connected faction angered by the damage that Sadat's obsessive pro-American and pro-Carter stance has done to the country's strategic posture. This faction, whose mouthpieces within the government are reported to be Foreign Minister Ismail Fahmy and Defense Minister Mohammad Gamassy, is receiving strong behind-the-scenes Soviet backing for an open challenge to Sadat's rule, according to U.S. State Department and Israeli sources.

A top Rand Corporation Mideast expert assessed this week that the current quiet efforts to strengthen Egyptian-Soviet relations "can only hasten as the Mideast crisis worsens," since "Egypt can only assimilate military spare parts from Soviet supplies, not from the West."

Because of this essential military connection and the worsening Mideast situation, a Brookings Institution-connected source emphasized, the Soviets feel "more confident than ever in dealing with those people in Egypt not completely controlled by Sadat" so that they will be able to deal with "an Egypt without Sadat." A well-informed Israeli source added that the early June Fahmy visit to Moscow was used by the Soviets to stress their willingness to "factionalize against Sadat."

Meanwhile, the Egyptian military is beginning to take some independent political moves. This week, Brig. General Mahfouz gave a tour to Western reporters in areas formerly off-limits to journalists in order to demonstrate Egypt's willingness to fight if provoked by

Israel. According to the State Department's Egyptian Affairs' desk, Mahfouz' press conference was "not authorized by Sadat, who was on vacation in Alexandria at the time, but by Gamassy. Or, maybe Mahfouz did it on his own."

\* \* \*

## Dayan Associate: The Arabs Will Have To Choose

*The following are excerpts from an interview with a close associate of Israeli Foreign Minister Moshe Dayan:*

**Q:** What kind of peace plan is Begin going to give to Carter?

**A:** Dayan and Begin are prepared to give back the Golan Heights and the Sinai Peninsula, but not the Red Sea area under Israeli control. As for the Palestinians, they will have to live in peace with Israel. But the PLO Palestinians? Forget them. They will have to learn to get along with King Hussein and accept a future state on the West Bank in confederation with Jordan.

The Egyptians will then have to choose: Do they want to fight a war for the Palestinians or not? Syria will have to choose: Does Syria want to fight a war, alone and without Egypt, for the Golan Heights? There are the choices Dayan is presenting to the Arabs. Dayan has shrewdly calculated these choices. Dayan calculates that the choices are hard for all concerned, but most of all for Egypt since the economy there is so bad and their relations with the Soviets are going downhill. Though, for that matter, Assad, without Egypt, is also up against the wall, since he will have a hard time fighting the Israelis alone.

Dayan has unified 95 percent of the Israeli population behind Begin in his confrontation with the U.S. Unless the Arabs are ready to wage war for the West Bank, Carter is not going to frighten Begin. Begin will frighten Carter. If Carter refuses to accept this, there may be a war confrontation but I think that more discussion can go on.

# Iran Asserts New Independence On Energy Policy And East Bloc Relations

## IRAN

The Shah of Iran has embarked upon a new course in energy policy and foreign affairs which is at variance with that of the Rockefeller family, traditionally his strongest ally.

Iran is presently suffering from the worst energy crisis in its recent history. Faced with a severe shortage of electrical power generating capacity, Iran's Energy Ministry has instituted a rationing of electricity, reducing many factories' power utilization by 40 percent as well as enforcing regular blackouts in Teheran and other cities.

The energy crisis in Iran is nothing new. The country has been stricken by repeated blackouts in the last few years as a result of the overloading of present generating capacity. The current situation is in fact the direct

outcome of rapid economic growth in Iran for which basic infrastructure was not provided.

Lack of water for Iran's network of dams is another cause of the current power shortage. In the 1960s the Shah engaged David Lilienthal, a close factional ally of the Rockefeller family and the architect of the Tennessee Valley Authority, to build a number of dams in Iran as power and irrigation sources. Iran, however, does not have the water to reliably generate power for its growing economy. Faced with this inevitable energy crunch, the Shah is trying to fill the gap, by moving as rapidly as possible into nuclear energy while employing new short term gas-fed generating capacity. The high cost of such infrastructural development has prompted the Shah to expand oil sales even at the cost of his relations with the multinational oil companies.

This is the situation which has pushed the Shah away from friendship with the Rockefellers, who are in no way unaware of his policy shift.

It was in fact Lilienthal who last year testified before

## Shah Says 'Colonialism' Behind Attacks On His Energy Policy

*In an interview with French radio correspondent Edouard Salier, the Shah of Iran discusses the international attacks on Iran and the country's plans for future areas of development and investment.*

**Q.** What do you think is behind the attacks regularly made against your country?

**A.** First of all, this began with oil; there is no doubt. When we began to shake things up, let us say, 50-50 percent, with Mattei (Enrico Mattei, the Oil Maverick who headed up the Italian oil complex ENI, and worked with the Soviets to undercut Rockefeller's hold on the European market in the early 60s — Ed.) at that point attacks against my country began. Mattei was killed but the attacks went on.

Before all this there had never been any Iranian students making a noise abroad. Iran had never been called into question by the mass media, American or European, but it began then.

We continued our policy even more strongly until we took complete control of our hydrocarbon resources about 5 years ago, then it became almost a mad hatred.

How could an Asian country dare? Well, we go

forward with events: It is they who are behind events.

Finally, a few months ago, even the highest leaders of the West admitted that our energy policy was a good one — a true one — and they proposed exactly the same thing we had proposed 4 years ago. The difference is, how can a small country dare to propose things that would not please certain interests which are very entrenched? The biggest cartels — I call them the entrenched interests, but it is purely and simply colonialism.

**Q.** Could you sum up the interests you have developed? (referring to further steps towards national development — Ed.)

**A.** Yes, the first step that we took, and which was already connected with this, was with nuclear energy, with the French and the Germans then with the Americans. We even talk with the British, the Swedes and with everyone. That is something which is known. One talks about fusion, about plasma, hydrogen, separation of hydrogen from water and all that. A little is already known about solar energy. Well, I can say officially that we are ready even to invest, if need be, in these centers of international research, to assure our future.

Congress opposing the sale of nuclear technology to Iran and other Third World countries. Lilienthal's testimony was in direct response to an aggressive program of nuclear development, first put forth by Iran in 1975, which envisions supplying 34,000 Megawatts of nuclear energy or 50 percent of the country's power demand by the 1990s. Iran has so far contracted for two of the 20 planned reactors. These two are presently under construction by Kraftwerke Union of West Germany. Last month Iran offered to purchase four reactors from the French with bartered oil worth \$4 billion. Negotiations with the French are ongoing for another two reactors.

According to the Nuclear Engineering International, Dr. Akhbar Etemad, the director of the Iran Atomic Energy Organization, was invited to the Soviet Union this month to sign a nuclear cooperation pact. During an international symposium held in Iran in May, Iran and 41 countries in attendance minced no words in challenging Carter's policy of no nuclear technology transfer. The Shah has publicly made it known that he sees the critical necessity of employing fusion reactors as the ultimate solution to the worldwide energy crisis, a position diametrically opposed by Rockefeller.

#### *Getting Around the Multis*

In oil, the Shah is showing greater independence than ever before, through the expansion of the state-owned National Iranian Oil Company (NIOC). In the area of bartering oil for technology, joint ventures, and direct oil sales, NIOC in the last 18 months has taken a leap forward, leaving the multi's consortium handling a diminishing amount of Iranian crude. At the beginning of 1976 a feud erupted between Iranian and consortium companies in which Iran complained that the companies were lifting too little oil, this causing a decline in badly needed oil revenues. This spawned the program of the rapid growth of NIOC.

At present NIOC is nearing sales of about 1.5 million barrels a day (mbd), with the aim of exceeding the 2 million barrel mark by the end of the year. To achieve this and other goals further development is needed and Iran has arranged a barter deal with the Italian state-owned concern IRI for the construction of a steel complex at Bandar Abbas on the Persian Gulf. This and other such deals with Italy should give the Italian oil firm ENI upwards of 90,000 barrels a day of bartered oil. Other barter deals with Krupp and British Aircraft Corporation are providing European firms such as Royal Dutch Shell and Belgium's Petromina with Iranian crude as third partners in barter contracts. In many cases Iranian crude is being supplied to companies in Europe which have shown strong willingness to wage war against Rockefeller's control of European oil markets through Exxon.

An agreement to sell 700,000 tons of crude oil to Finland by NIOC last month was worked out in advance with the Soviet Union, in order to reduce Soviet crude exports to Finland, so that they could expand oil exports to the EEC countries, and thus further reduce EEC dependency on Exxon and its cohorts. Similarly, NIOC is

expanding sales to Eastern Europe. Not only are Iran's direct crude exports on the rise, but refined exports are expected to climb dramatically with the expansion of the huge Abadan refinery complex to a new output capacity of 600,000 barrels a day.

#### *Looking East*

In recent months Iran-Comecon trade has again enjoyed another boost. Iran's Foreign Minister Khalitbari just completed a tour through Bulgaria, Poland and Hungary, where trade was the major topic of discussion. Just prior to the trip Iran signed a new three year trade pact with Czechoslovakia over half a billion dollars — tripling previous trade agreements. The Soviet Union is putting concerted pressure on the Shah to further trade relations, as is witnessed by an unprecedented public statement to that effect by the Soviet Ambassador to Teheran last month in which he urged Iran to take up a call for Moscow to purchase 1 million tons of Iranian crude as part of expanded trade. At the same time the Iranian state daily *Kayhan* announced railway connections between Iran, Iraq and the Soviet Union.

Iran's current relations with East Bloc countries have acted as a powerful behind the scenes determinant in the process of normalizing relations between the Persian Gulf Arab states and Iran. In the past, according to scenarios propagated by the U.S. think-tankers, Iran's designated role was that of a military watchdog over the Gulf, acting as a deterrent to any independent Saudi action which would threaten Exxon's longstanding dominant position in that country.

As the May issue of *Iran Economic News* indicated, Iran and Saudi Arabia, erstwhile regional adversaries, are presently working out the terms for economic cooperation. This was signalled by a number of joint development deals worked out earlier by Iran and the United Arab Emirates, a close Saudi ally. Similarly, Iran and Iraq continue to close the gap which existed prior to the March 1975 Iran-Iraq border agreement. Since the beginning of the year both countries have hosted high-level military delegations for the first time since the historic border agreement was signed.

Inter-Gulf diplomacy is integral to the formation of a non-aligned Persian Gulf Security Pact — a plan which has received support from both the Soviets and the British. A pact would set the stage for independent moves on both the oil and the monetary front by the region's oil producing nations. The Carter Administration, both through its human rights crusade, and its threat to cut off weapons sales hopes to throw the Shah off his present course. On the human rights issue the Shah has forthrightly stated that he will not be manipulated; on the weapons question, he has retorted that he will go to the Soviet Union. The Shah's arms purchaser General Toufanian suddenly turned up in Moscow for a week's visit not too long ago. The appearance of two Iranian destroyers in the Odessa harbor on the Black Sea in mid-June — the first such visit by Iranian naval vessels — is a good indication the Shah means business.

— Judy Weyer



## Security Council Votes Material Support To Mozambique

The United Nations Security Council on June 30 passed a resolution requesting all countries to "give immediate and substantial material assistance to enable the government of the People's Republic of Mozambique to strengthen its defense capability in order to safeguard effectively its sovereignty and territorial integrity."

The resolution was passed in response to another resolution brought before the Security Council by Mozambique protesting the destruction of their territory by repeated invasions carried out by the outlaw regime of Rhodesian Prime Minister Ian Smith. Drawn up in consultation with the African frontline nations — Angola, Botswana, Zambia, and Tanzania, Mozambique's resolution called for military aid from all UN member nations to Mozambique against the Rhodesian attacks. Mozambique also put before the Council extensive documentation of the destruction wrought by Rhodesia against Mozambican population and property. The latest Rhodesia attack on Mozambique occurred June 28 the day the Security Council session opened.

In the face of increasing Rhodesian incursions into Zambian territory, Zambian President Kenneth Kaunda declared June 27: "We too reserve the right to pursue the enemy deep into his territory if he should dare to step onto Zambian soil."

At the same time, the countries of Nigeria, Somalia, Cuba, and the German Democratic Republic have offered military support to the frontline nations against Rhodesia.

### *Owen Outflanked*

Mozambique's decisions to bring the Rhodesian aggression before the UN Security Council effectively represented a vote of no-confidence by the frontline states in the "Anglo-American Peace initiative." Particularly, the Mozambique move was a slap in the face to British Foreign Secretary David Owen who this week released his final peace proposals.

The package calls for one man-one vote as the only fair franchise for Rhodesia, a reversal of a previous Owen position for a 'qualified franchise'; a Commonwealth peacekeeping force for the region, which African forces say would primarily be aimed at enforcing Owen's settlement on the Zimbabwe Patriotic Front guerrillas; a revival of Henry Kissinger's discredited "development fund" for independent Zimbabwe (Rhodesia).

Owen's Africa assistant John Graham and U.S. Ambassador to Zambia Steven Low will start traveling the region to gather support for the peace package on July 3.

Owen had advised Mozambican Development Minister Marcelino dos Santos representing Mozambique at the Security Council, to tone down his condemnation of

Rhodesia, lest he damage Owen's peace package. Owen also solemnly warned last week that anyone who did not accept his proposals would bear a "grave responsibility" for damaging peace in southern Africa.

But at the Security Council, the Africans made clear that they have lost patience with stalling tactics designed to buy time and ensure that the pro-socialist Patriotic Front is excluded from the government, or at least forced into a "coalition" with State Department puppets in other "liberation movements."

"Africa has had an unfortunate experience with the intervention of foreign troops to maintain the peace..." said a spokesman for Rhodesia's Patriotic Front liberation movement June 28, referring to the U.S.-run United Nations peacekeeping operation in the Congo in 1961 that brought about the murder of Congolese Prime Minister Patrice Lumumba.

### *No More Stalling*

At the same time, and over Owen's protestations, the guerrilla war in Rhodesia is being escalated, and a major offensive to finish off the militarily weakening Smith regime is expected in the near future. A source close to the Patriotic Front predicted that Smith could be brought down in a matter of months. The weakening of the Rhodesian regime was demonstrated when the illegal government reported a net emigration of 1,339 whites in May, 1977, more than any other month since the colony declared "independence" over a decade ago.

Zambian Foreign Minister Siteke Mwale told the Security Council on June 28: "We in Zambia have concluded that Smith is an illusion. Alone he is weak. His strength lies elsewhere. It lies in South Africa, certain Western governments and multinational corporations... They are therefore accomplices in his oppression and repression of the people of Zimbabwe and his acts of aggression against neighboring independent African countries."

Tanzanian Foreign Minister Benjamin Mkapa rejected the basic premise of Foreign Secretary Owen's proposal to negotiate with Smith: "If the Security Council seriously wants to remove the source of aggression, then it is necessary to bring down the illegal regime."

The frontline states were backed by Nigerian External Affairs Commissioner Joseph Garba, who told the Council that the people of Mozambique and the people of Africa had a right not only to wage open war against the rebel regime, in Salisbury, but also to call on their friends inside and outside Africa for military assistance.

EXCLUSIVE

## Top Korean Official Indicts Carter Policy

*Jimmy Carter's Korea troop withdrawal policy is a strategic, military, economic and political disaster. That was the theme of a conference held on June 20-22 in Washington D.C. by the Stanford Research Institute on Northeast Asia Security. The conference participants, which included a group of scholars and government advisors from South Korea, analysts from Japan, and a host of American participants from various areas, including Pentagon and thinktank personnel, were almost universally opposed to the Carter policy though less clear on what to offer in its place.*

*The most important input into the symposium was from the Koreans present and particularly the star invitee, Dr. K.W. Kim, a Special Assistant to South Korean President Pak Chung Hee and known in some circles as "Korea's Kissinger." That label is somewhat inaccurate as Kim showed far more insight and competence than Dr. Kissinger demonstrated. Kim delivered two major addresses but his first, delivered on the first day of the symposium was one of the most sophisticated and powerful indictments of the Carter Korea policy to date.*

*The following are excerpts from that speech.*

### Korea and Security In Northeast Asia

*by Kyung-Won Kim  
Special Assistant to the President  
The Republic of Korea*

According to conventional wisdom, "chances of war in Northeast Asia hinge on the confrontation between two hostile and powerfully armed Korean states." As with most conventional wisdom, it may be more appropriate to state exactly the converse of the Brookings assumption, namely that chances of war in Korea hinge on the confrontation between hostile and powerfully armed superstates, the United States and the Soviet Union. After all, the war of 1950 had its origins in interactions between the two superpowers. It had nothing whatever to do with "two powerfully armed Korean states." One might even say the war began because one of those Korean states was not powerfully armed. To debate the "true" cause of instability in Northeast Asia — intra-Korea competition or superpower rivalry — may seem academic, but it makes a huge difference in one's policy prescription whether Korea itself is seen as a source of trouble or, as I myself would argue, it is seen as a product of troubles that go deeper or wider than Korea. If one starts from the former assumption, the conclusion follows that "over the longer term, we (the U.S.) should try to distance ourselves from events in Korea, through measures discussed below (withdrawal of U.S. troops), and to render the U.S.-Japanese connection less vulnerable to events on the peninsula." If it is believed that

Korea is the cause of threat to Northeast Asia security, it follows that disengagement from Korea is a necessary step to removing an element of instability from the Northeast Asian region. And, not surprisingly, this is precisely the formula the Brookings study suggests the U.S. government follow.

If, on the other hand, one starts from a different assumption, namely that Korea is an integral, inevitable and inseparable part of Northeast Asia, then it is clearly impossible to adopt the sort of simplistic formula expressed above, which for the sake of convenience we might label the "Brookings formula." To be sure, to the extent one is willing to ignore history and geography, one may pretend that Korea is linked to Northeast Asian security only because it is perceived to be so linked. The "Brookings formula" recommends that the U.S. try to persuade that American disengagement from Korea cannot possibly affect Japanese security interests. A campaign of persuasion then becomes equated with a security policy. The trouble with such an approach is that national security, while partly a matter of perception, is also much more than that. Whether Washington succeeds in persuading Tokyo that Korea matters little, there remains the irreducible, intractable fact that Korea has been, and will continue to be, an integral and inseparable part of Asia. . . .

It is intellectually surprising to find the Brookings urge the U.S. government to "distance (itself) from events in Korea." Particularly, to do so under the illusion of being able to count Korea out of the Northeast Asian strategic equation will be a huge intellectual folly.

One power which is not likely to commit a similar intellectual mistake is Russia. Unlike the United States, whose relationship with Asia historically has tended to exhibit an ad hoc, on-again off-again quality, Russian interests in Korea and Northeast Asia are rooted in the fact that Russia is an Asian as well as European power. If there has been a tendency in the U.S. to view Europe and Asia as competing, hence alternative arenas for America's attention, Russia has never seriously doubted that it has to be both European and Asian. Russia's European strategy is integrally linked to its Asian strategy and that is why the Soviet strategists would never themselves ask if Russia too should not "distance itself from events in Korea" in order to concentrate on Europe. Besides, the Russians understand only too well that it is impossible for them to "distance themselves from events in Korea" without incurring consequences that are unacceptable to them. To say that the Russians are deeply conscious of their strategic interests in Korea, however, is not to say that they are determined to pursue them aggressively irrespective of constraints imposed by "objective conditions" upon their capabilities. Indeed, the Soviet Union has shown a remarkable tactical flexibility in its foreign behavior. And it is precisely this tactical

flexibility that has enabled Moscow to remain steadfast in its long-term strategic objectives. . . .

That is why the Russians have always understood the fact that their interests in Korea are rooted in the geopolitical realities which define the necessary parameters of Russia's security requirements. Unlike many American commentators who seem to have elevated into an article of orthodox faith the familiar catechism that Korea is important only for the defense of Japan, Soviet strategists have never suggested that their strategic interests in Korea are derivative from their Mongolian policy or any other policy related to a third country. In a way, this difference results from two contrasting intellectual traditions. If an empiricist is uncomfortable with an explanation of a policy unless its rationale can be stated in terms of "hard facts" — and numbers are viewed as hardest kind of facts — in the opposite intellectual tradition which is more attuned to the intangibles of history, politics and geography, a policy has to lack depth to be completely quantifiable. The reason Japan is regarded as more important than Korea is because Japan is "more." To the Russian strategic planner, the meaning of Korea, however, is organically linked to the regional framework, the entire Northeast Asian configuration of power and influence of which Korea is a part. And a part can be understood only in the context of a whole, and not just in relation to another part, although the latter may be a larger part.

In the last analysis, Russian strategic interests in the Korean peninsula cannot be divorced from her strategic interests and requirements vis-a-vis Western Europe and the Middle East as well as China, Japan and the United States. A suggestion of linkage among Russia's regional strategic interests, however, may lead a Western student to wonder why the Soviets are not as actively involved in one area, for example, Korea at the moment, as they seem to be in some other parts of the world. The answer lies in the remarkable tactical flexibility the Soviets have shown in their foreign policy behavior. The most important explanation of their relative coolness in Korea, for example, can be found in the Soviet belief that a more visible and active Soviet policy in Korea — for instance, an all-out support for North Korea's revolutionary unification policy or an attempt to gain strategic access to the peninsula by letting revolutionary commitments fade into empty rhetoric of the past — can lead to a U.S. reaction, which may very well escalate to an open U.S.-Soviet confrontation. In other words, the Soviets are merely being prudent, not disinterested. . . .

A country whose strategic posture is even more explicitly based on an assumption concerning the U.S. military role than even in the case of China is Japan. . . .

There is, however, a body of opinion afloat now which suggests that Japan's security orientation need not be what it is today. It seems to be based on two different kinds of arguments.

In the first case, it is simply announced that "the importance of South Korea to Japan's security is a product of our (U.S.) constant repetition of the theme to Japanese audience." Besides being an intellectual insult to the Japanese, who are portrayed as being incapable of understanding their own strategic requirements except through American lectures, the suggestion is also indicative of the tendency among some quarters to seek freedom from history through a fiat. . . .

The second approach is a little more subtle but no less unrealistic. It consists in an attempt to reject power politics and substitute for it economic and functional relations ("interdependence"). It is an approach with obvious appeal, because it seems to promise an end to military and strategic approach and usher in a new era of ever-expanding functional web of interdependencies among industrialized democracies. A cynic may observe that the attraction of the new approach consists in the promise to clothe what in effect amounts to a 19th century kind of "Concert of Europe" in an 18th century kind of rationalist language. An added bonus is that it promises to lift Japan out of Asia and place it somewhere in the Atlantic. And like all plausible theories, this one too is not without considerable merit, if it is not carried too far.

The difficulty is that, as Professor Donald Hellmann, an American political scientist, pointed out, economics notwithstanding, "geographically, culturally, racially, and historically, Japan is part of Asia. It cannot be towed to a position off the coast of France." Furthermore, as Professor Hellmann continues, Japan's economic ties with the advanced countries are not as strong as assumed by many. . . .

In the long run, security cannot be divorced from the general health of society. To the extent Korea's on-going economic growth and modernization increasingly generate the socio-political substance of the country as well as military strength for the nation, we can afford to be confident about the future security of Korea. And the prospects of increasing security for Korea should augur well for the security of Northeast Asia as a whole. After all, North Korea too will have to come to terms with the reality of South Korea's success as a modern state, a development which may very well facilitate the process of reconciliation among the powers in the region as well as bring about genuine improvement in the relations between two Koreas.

## Colombia: Carter's Pot Farm Of The Future

On June 23, Peter Bourne, Carter's presidential advisor on drug abuse, and Maltha Falco, special State Department representative on narcotics policy, flew to Bogota to meet with Colombian president Alfonso Lopez Michelsen. Official reports of the discussions held reveal that the Carter envoys offered Lopez technical and financial assistance to aid in government attempts to control Colombia's vast drug producing and smuggling network. What went unreported in the Colombian press is the fact that Bourne and Falco are leading the drive in the United States for the decriminalization of marijuana and cocaine, Colombia's two leading illegal exports, and that Bourne's and Falco's assignment in Colombia was to pressure, bribe or blackmail President Lopez into converting Colombia into the largest drug plantation in the world.

Keith Stroup, the head of the U.S.-based National Organization for the Reform of Marijuana Laws (NORML) made explicit in a recent interview what Falco, an ex-member of NORML's Advisory Board, was after in Colombia. Stroup explained NORML's support for the idea of an "Organization of Dope Exporting Countries" (ODEC), of which the first three likely members would be Jamaica, Colombia and Costa Rica. When reminded of the 1971 UN Conference on Psychotropic Drugs at which 42 nations pledged their opposition to the proliferation and abuse of "such (psychotropic) substances and to the illicit traffic to which it gives rise," Stroup casually outlined the various ways a country could circumvent such an arrangement. One such possibility would be the creation of "free port zones" outside the reach of government regulation. Such "free ports" are already extensively used in Columbia by smugglers as the nexus of their vast contraband operations. Stroup also reminded the interviewer, "It only takes one country's violation of the treaty to make it invalid." The lure of increased tourist revenues from legalized drug production could be just the incentive such a country would need, suggested Stroup. Furthermore, the government-sanctioned cultivation of these drugs would guarantee billions of dollars of export revenues to "ODEC" members.

### *Carter Agents Within*

The pressure campaign being conducted against the Lopez government by Carter's highly-qualified drug pushers has its counterpart inside Colombia itself. Over the last several weeks, the self-defined fascist wing of the Conservative Party led by Alvaro Gomez Hurtado and the Fabian wing of the Liberal Party have openly promoted the legalization of marijuana as a new and lucrative cash crop for Colombia:

\* On June 13, Jorge Media Salazar, Liberal director of the illustrious Banco de Bogota, responded to a question

on the effects of illicit drug revenues on the Colombian economy. "One thing is the trafficking of drugs, and quite another thing are export revenues of \$1.5 billion."

\* On June 18, Liberal daily *El Espectador* editorially called on the government to "plant its feet firmly on the ground and look to the future" in recognizing that "marijuana is not much more harmful than alcohol or tobacco."

\* On June 17, Alvaro Gomez Hurtado's newspaper, *El Siglo*, editorially charged the Lopez government with appearing "ridiculous" in its futile attempts to control drug trafficking and urged that it end the "impotent spectacle" of trying to control an uncontrollable situation. The editorial demanded that the government stop using the Armed Forces in a "policeman's role" to fight drug traffickers and suggested the legalization of marijuana production in a call to Lopez to "either do something spectacular (to end the drug problem) or relieve our customs officers and our judges from temptation."

\* On June 19, *El Siglo* columnist and leading propagandist for Gomez Hurtado, Juan Diego Jaramillo, openly called for the liberation of marijuana as a legal cash crop in Colombia. Diego Jaramillo argued that U.S. decriminalization of marijuana was imminent and that if Colombia did not both legalize and *nationalize* the cultivation and exportation of marijuana, other countries would be there first and Colombia "will have killed the goose that lays the golden eggs."

The drive to convert Colombia into the narcotics center of the world has several implications. Foremost, it is intended to provide the source for an unending supply of mind-killing drugs with which to saturate an enslaved working class in the United States. Carter's deindustrialization-zero growth energy policies demand a stupified labor force which can be herded off to labor-intensive work projects without resistance. Secondly, billions of dollars of export revenues from narcotics sales to the U.S. could be easily tapped by Wall Street for debt payment, a most comforting thought for the currently bankrupt New York banks.

However, the conversion of Colombian agriculture from a net food producer to an exporter of narcotics spells nothing short of starvation and triage for the already impoverished and enraged Colombian population. This fact has served as a decisive "reality principle" in determining the actions of Lopez Michelsen's constituency-based party machine. Lopez's recent rejection of Yale Professor Jose Cabranes as Carter's appointee to the ambassadorship to Colombia marks the first substantial sign of resistance to Carter's drug plans. Cabranes, nominated by Miami mayor Maurice Ferre — a leading Carter backer and notorious "Golden

Triangle" drug smuggler — was intended by Carter to be the linchpin of the drug scenario for Colombia. Colombia's rejection of the nomination has dealt an important blow to those plans.

Lopez's chosen candidate for the 1978 presidential elections in Colombia, Julio Cesar Turbay Ayala, has taken a similar first step in condemning the proliferation

of a drug culture in Colombia as "the virus of moral degeneracy." Turbay had posed a programmatic alternative to Carter's genocidal plans for Colombia in a speech earlier this month when he called for intensive mechanization of the countryside to free labor for the industrial employment of the Colombian economy.

\* \* \*

## Response Begins To Gomez Hurtado's Drug-Pushing

*The following are excerpts from a June 28 letter written to the widely-read Bogota Liberal daily El Tiempo by one Josefina Velez de Escobar. This is the first public response to the drug-pushing policies of Alvaro Gomez Hurtado through his newspaper El Siglo.*

The *El Siglo* columnist Juan Diego Jaramillo insists on a highly negative, destructive and detrimental thesis for the country...on the problem of marijuana...

It is necessary to alert public opinion to this thesis of *El Siglo's*, which is as pitifully backward as if it existed in Bedrock, the city of the Flintstones; and as contradictory as if it were deliberately attempting to mislead Colombians. Let us see why:

The problem of drug addiction begins at its "source," that is, in the production of the raw materials. For *El Siglo*, the problem has its "origins" in the fact that there exist drug addicts,

or "consumers." This is sheer idiocy...

To pretend that the problem is an "economic" one, that is to say, that only those who have the purchasing power can afford the vice, is another aspect of the vulgar and "desarrollista" (a reference to the Brazilian economic model — ed.) theory which is as insane as the (column's) final conclusion that "it is necessary to legalize the production of marijuana" to obtain revenues. And that the "buyers" defend themselves as best they can...

I call attention to this thesis which I furiously denounce and combat because it demonstrates a total ignorance of the drug problem and because it is a threat against the country. The mere fact that a newspaper calls for legalization of the cultivation of marijuana is equal to a call to farmers to abandon the growing of food and to dedicate themselves instead to the production of this corruption. We can gauge the consequences!

## Venezuelan President Upsets Carter's Plans

The Carter Administration planned the current visit of Venezuelan president Carlos Andres Perez to the United States to culminate in the establishing of "special relations" between the two countries, making Venezuela into what one Brazilian paper called "the officialized voice of Jimmy Carter in Latin America." Even before the end of the five-day visit, President Perez has shot down U.S. hopes of placing Venezuela securely in its hippocket, and reaffirmed his country's commitment for a new world economic order.

The Carter Administration had four basic objectives on which it hoped to secure Venezuelan agreement. Venezuelan support for Carter's human rights policy toward Latin America was considered sewn up following Venezuela's active support for the United States' human rights position at the just-ended meeting of the Organization of American States. Venezuelan aid in blocking the West German nuclear plant deal with Brazil was judged only slightly more difficult. Of more fundamental interest to the Carter Administration was the securing of a "U.S. option" on Venezuela's oil reserves in

the Orinoco, and the use of Venezuela's petrodollars in bailing out the debt of the Caribbean countries.

Perez has explicitly rejected all but one of the Carter Administration objectives, as the following brief selections from two of Perez' speeches in the U.S. vividly demonstrate. Perez announced even before leaving Venezuela that Venezuela's oil would not be an item of discussion. Perez sharply rejected Carter's human rights stand as a vicious fraud without a new world economic order in his greeting to Carter at the White House, and then fully supported Latin American's right to develop nuclear energy in a speech before the Permanent Council of the Organization of American States.

*Printed below are excerpts of a speech by President Carlos Andres Perez at the White House June 28:*

Mr. President of the United States and Mrs. Carter:

...The problem of world peace can no longer be defined in terms of strategic balance, balance of power, zones of influence, blocs and military alliances. Peace is not only

the absence of war. The real problem of peace is the incorporation of the Third World into an international order in which all the participating nations take part in its construction. The order imposed by the victors of the Second World War no longer exists.

The majority of nations, which is the Third World, are in radical disagreement with the form in which the unjust and discriminatory world system is structured. Peace is endangered and everything possible must be done to protect it.

Human rights cannot be considered only in terms of physical safety and political liberty. The essential human right is the right to life, wellbeing, the full dignity of each being. And this right is flagrantly violated by those responsible for the world economic order....

The existence of liberty is an impossibility if there is no economic and social development...

It is illusory to expect democratic development and the introduction of human rights within an international order so deeply anti-democratic as the present one. The democratic transformation which your illustrious international policy pursues cannot be achieved without the disappearance of the hegemonic and predominant structures that characterize this international order...

The forces of the Third World working for dialogue and cooperation to establish the new international order have not encountered satisfactory response from the industrialized world, including the United States. The hardly encouraging results of the North-South Conference indicate that the industrialized world is resisting recognition of the necessity to transform the structure of privilege, and demonstrates as well that they still don't see with sufficient clarity the dangers involved in this situation.

...The traditional conception isn't clear on the real relationship between political, economic and military problems in today's world. According to this traditional view, the strategic balance between the great powers and the East-West confrontation play the most important role in decision-making in the industrialized world. The continued influence of this perspective is demonstrated by the great quantity of intellectual and material resources invested in the arms race, which you have valiantly denounced.

It is indispensable that the industrialized world understands that the first order of priorities is no longer the East-West conflict and the stabilization of traditional power blocs, and that the majority of effort must now be located in resolving the North-South conflict for the creation of a new, just and equitable economic order.

...There will be no solution to today's world problems

without the restructuring of commercial relations, which will assure just participation in the process of international trade: a new division of labor...; the solution to the problem of the foreign debt, which is asphyxiating many Third World economies; and definitely the construction of a new international economic order that must include the establishment of just regulations for contracting technology and capital, assuring adequate transfer under favorable conditions on a foreseeable and permanent basis...

*Below are excerpts of CAP's speech before the Permanent Council of the Organization of American States on June 29:*

We must not accommodate ourselves, as we have in the past, simply to changes in inter-American policies of the United States, even when we applaud the proposals presented to us by President Carter...If there is one experience we Latin American nations have learned well it is that bilateral understanding between the United States and Latin American countries have always proven precarious, resulting often in increased distance among ourselves...From any point of view from which one chooses to examine the difficulties facing our countries' development, it is evident that integration is the only secure means of realizing this development...

It is necessary to affirm that the influence of external factors is the essential generator of this situation (of the lack of human rights in Latin America —Ed.). The hegemonic structures and privileges of the existing international order impose upon our countries pressures that cannot be overcome. Unjust relations of trade have brought an intense process of decapitalization upon Latin American economies. Our industrialization has been asphyxiated...The grave social tensions prevalent in Latin America are the seed of regimes of force, which instead of reducing tensions, tend to accentuate them in an incessant struggle against subversion, which has its roots in the hard living conditions suffered by the large part of the Latin American population...

Nuclear energy offers potentials that must necessarily be explored and oriented towards Latin American development. Venezuela supports projects aiming at the peaceful use of this energy as long as it does not endanger ecological equilibrium. At the same time, Venezuela is firmly opposed to the proliferation of nuclear weapons. We, the countries, of Latin America, can and must cooperate on matters of nuclear energy, in projects that are of service to the entirety of our peoples, and never at the service of ambitions of domination...

## Carter Candidates For FBI Chief Are Fabians In Conservative Clothing

Reflecting the ongoing wheeling and dealing spurred by Nelson Rockefeller's as yet unconsolidated "Pocantico" deal, President Carter's nine member citizens committee, headed by Irving Shapiro, announced on June 15 a list of supposedly "conservative" nominees for the politically coveted post of FBI Director. Omitted from the Shapiro panel's "top five" choices were frontrunning "liberal" Fabian favorites John Doar, Patrick Murphy, Robert Morgenthau and Richard Thornburgh, all of whom were endorsed by such forces as the *New York Times*, which wants the Bureau put under total Fabian control.

At stake is the Justice Department's control of policy determinations affecting the U.S. Labor Party, election fraud, dirty tricks and watering operations, and drug decriminalization. The Shapiro committee's selections are not binding on Carter, and it has been mooted that new names will be added before current FBI director Clarence Kelley vacates the post on January 28, 1978.

The five candidates now officially in the running will be represented by the media as dyed-in-the-wool conservatives. Four are nothing of the sort. The material in the following biographies, compiled from sources not normally accessed by the press, reveals they are up to their ears in Fabian counter-insurgency operations.

**\*\*Neil Welch**, who along with William Lucas received the unanimous approval of the selection committee, is the present FBI Special Agent-in-Charge (SAC) of the Philadelphia office and former SAC for the Bureau's Buffalo and Detroit field operations. Welch is being promoted as an "independent" law and order man, and is getting press endorsements for his alleged refusal to conduct Cointelpro operations while in charge of the Buffalo and Detroit FBI offices.

But the U.S. Labor Party has procured FBI documents showing Welch heavily involved in the Bureau's Cointelpro and harrassment campaigns against the party's electoral candidates and organizers. Highly placed sources report as well that Welch is extensively involved in FBI-infiltrated Bucks County, Pennsylvania Ku Klux Klan activities, including fomenting race riots, and issuing bombing and death threats. He is also implicated in blocking the investigation of Reading, Pa.-based weapons and explosive trafficking linked to the Pontiac, Mich. Klan Klavern, responsible for the 1971 school bus bombings. It is doubtful, however, that the FBI's routine background investigation into Bureau "insider" Welch will reveal these facts.

**\*\*William Lucas**, Wayne County, Mich. Sheriff and LEAA operative, appears to have been dropped as a

viable contender by the Bureau agents investigating his background. On June 24, the investigators leaked to the *New York Post* Lucas' admission of accepting free gambling junkets to Las Vegas and of having as his traveling companion alleged Detroit racketeer Ernest Anastas. Lucas' candidacy may also have been checked by a public endorsement from the American Civil Liberties Union.

Lucas, an FBI agent from 1963 to 1968 was a central figure in the FBI-LEAA coordinated operations against local police forces, operating under the jurisdiction of FBI former fellow travellers Detroit Police Commissioner Philip Tannian, Wayne County Prosecutor William Cahalan and former Wayne County Sheriff Roman Gribbs. From 1969, this FBI crew systematically used extensive LEAA monies to reorganize the police forces, creating the Detroit killer STRESS squads which were used to provoke racial confrontations in the inner cities. As Detroit is a key conduit for drugs in the Midwest, they seized control of organized crime and drug running operations as well.

Lucas was an assistant U.S. attorney and an investigator of the Civil Rights Commission, and served as a detective and patrolman in the New York City Police Department prior to his appointment as sheriff. He was re-elected to the post in 1973. He is co-chairman of the Wayne County Organized Crime Task Force, vice-chairman of the Wayne County Coordinating Council for Criminal Justice, and serves on the boards of the Detroit Urban League, the National Advisory Council for Law Enforcement, National Council on Crime and Delinquency, National Sheriffs Association and was a member of the LEAA's Task Force Report on Civil Disorders and Terrorism.

**\*\*John J. Irwin**, associate justice of the Massachusetts Supreme Court and **John K. Van de Kamp**, are two Kennedy-linked candidates, molded in the traditional "law and order" posture. Irwin has already been given the Kennedy benediction and Los Angeles County D.A. Van de Kamp, dubbed a "Beverly Hills liberal," is a political leftover of Robert Kennedy's 1968 campaign apparatus.

Irwin has made his way up the state's criminal justice ladder via his affiliation with Kennedy clan cronies such as John Droney, prosecutor of Middlesex County. Prior to his appointment to the State's Supreme Court in August 1976, he was an assistant District Attorney for Middlesex County, heading the Criminal Division of the State Attorney General's office.

Van de Kamp was an assistant U.S. Attorney under the



Kennedy Justice Department, and stayed on through successive administrations until 1969, when he ran a California congressional campaign against Barry Goldwater, Jr. His political aspirations were renewed in 1970, when he was the campaign coordinator for Jesse Unruh, who opposed Ronald Reagan for governor. Van de Kamp has had extensive dealing with civil disorders; he was part of the special Justice Department teams dealing with the 1968 riots following the Martin Luther King assassination, in conjunction with Ramsey Clark, Cyrus Vance and Joseph Califano. He also served on the 1970 Scranton Commission dealing with campus unrest, and the 1971 anti-war March on the Pentagon — all part of the Operation Garden Plot program for a domestic police state. In 1971 he became the Los Angeles public defender, and was appointed by the county's Board of

Supervisors to replace the outgoing District Attorney in 1975. He was elected to that position in 1976.

*\*\*Harlington Wood* is the only Shapiro panel nominee without overt Fabian connections. Wood is a registered Republican and former member of the Ford Administration's Justice Department. Wood was a special assistant attorney general of Illinois from 1954-58, and U.S. Attorney for the Southern District of Illinois from 1958-61. He then went into private practice in the law firm Wood and Wood, until 1969 when he replaced Van de Kamp as Chief Executive Officer of the Justice Department's U.S. Attorneys. He was an associate deputy attorney general from 1970-73, until his appointment to the position of judge of the 7th U.S. Circuit Court of Appeals in Chicago.

— Marilyn James

EXCLUSIVE

## Bare Secret Plans To Destroy Teamsters; Throw U.S. Unions Into Chaos

Arthur Fox, an employee of Ralph Nader who serves as lawyer for the FBI-controlled "PROD" countergang in the Teamsters union, has revealed secret plans to disrupt and destroy the two-million member International Brotherhood of Teamsters through coordinated actions by PROD and various government agencies, including the Justice Department.

"Our strategy is to divide and conquer," Fox told a reporter June 28. "Go after the big boys — Fitzsimmons (the IBT International President) and maybe Presser (Ohio Teamster leader and International Vice-President) and watch everybody else cut each other to shreds...If things go as planned, the entire union will be in chaos..."

The attack on the Teamsters is the beginning of an all-out attack on the U.S. trade union movement, intended to leave it demoralized and in ruins within a matter of months. Wall Street networks of both the "left" (such as those controlled by the Institute for Policy Studies) and the right (such as the Justice Department-controlled Nazi party) have been activated. At this point, the key targets are the Teamsters, the United Mineworkers and the United Steelworkers.

PROD's Fox stated that he had received "numerous assurances" from officials of the Justice and Labor Departments as well as the Internal Revenue Service, that top Teamster officials will be hit with criminal indictments stemming from alleged misdoings involving the Teamsters Central States Pension Fund. The Teamster leaders think that they have made some kind of informal deal with government to quash these indictments," he said. "But they didn't and they'll find that out soon enough..."

Terming IBT President Fitzsimmons "the number one target" of these operations, Fox said that the government and PROD viewed Vice-President Jackie Presser as "an even greater danger." Presser, the most outspoken spokesman for the union leaders against the PROD-government conspiracy, was called by Fox "a thug, a goon and a Nazi who deserves to be treated as such." Fox said Presser has been driven into hiding by the "fortunate assassination" of his associate and Cleveland Teamster leader John Nardi "in front of his (Presser's) window." Presser "got the message," Fox stated, "but he is running out of holes to hide in...you can never tell, maybe someone will get rid of him and we won't have to worry about doing the job ourselves..."

Fox's "plans" cohere with reports received by this news service from highly placed individuals in the U.S. intelligence community that the Carter Administration and Wall Street have activated their full range of "black operations" against the Teamsters. Such operations,

sources report, include the activation of assassination capabilities against top Teamster leaders like Presser.

### *The Offensive*

As Fox spoke, the union-busting "offensive" he described was already taking shape.

\*A PROD-controlled slate of officials yesterday took over the 7,000-member Teamster local 639 following an election here last week. Defeated Local 639 President Frank DeBrouse has reported that there were numerous irregularities in the voting and has filed an appeal with the IBT Joint Council.

\*The FBI began an investigation of three Teamster locals in the Cleveland area for alleged financial "irregularities."

\*Rep. J.J. Pickle (D-Tex.) announced plans for a new round of hearings by his Oversight Subcommittee of the House Ways and Means Committee on the Central States Pension Fund. Fox described the hearings as helping to create the appropriate climate to "hand down some indictments." Pickle, whom Fox described as working closely with PROD, will demand to know whether the Justice and Labor Departments have made any "illegal deals with the IBT leadership to squash indictments in exchange for 'cooperation' in cleaning up the Pension Fund (Fitzsimmons and IBT Vice-President Roy Williams resigned as trustees of the fund under pressure from the government in a "deal" worked out prior to the last round of "Pickle hearings.") The Justice Department and IRS, Fox stated, could now turn around and tell IBT leaders "sorry fellows, the deal is off...the public wants your heads..."

### *Strategy for Chaos*

Maximum chaos, Fox told the reporter, will be achieved by "initially concentrating our fire on Fitzsimmons, while weakening the union (in the eyes of the public) as a whole." If PROD and its government allies are successful in ousting "Fitz," he said, the "whole house of cards will fall."

PROD has filed an appeal with the IBT executive board to oust Fitzsimmons for malfeasance and non-feasance. "We'll give them (the executive board) a little more time and then hit them in Federal Court. We'll get satisfaction in court by asking that the entire union be put under a board of monitors." This would mean effective receivership for the Teamsters. Fox reported he already received assurances that the Labor Department would not quash such action.

### *D.C. Local A Target*

PROD's "victory" in the local 639 election is a set-up

aimed at giving PROD additional leverage to carry out its internal destabilization of the union. "Favorable conditions" led to the takeover of local 639, according to Fox: its leadership was paranoid and indecisive while its proximity to the national made countervailing action by the IBT executive "dangerous." "The IBT leadership might want to help DeBrouse, but we think that they are paralyzed..." Fox said. While newly elected President Daniel George is termed a "PROD collaborator," Fox stated that "our key inside man is John Catlett, a PROD member who was elected Secretary Treasurer. According to Fox, Catlett was the man who ran the campaign.

According to Fox, PROD will "distance" itself from George to discredit DeBrouse's claim of outside interference. "Meanwhile, we still have Catlett on the inside."

PROD is counting on the media to leverage the local 639 "victory" for maximum effect nationally. The *Washington Post* has obliged them by carrying two frontpage articles on the election. Fox and PROD director John Sikorski, also a Nader operative, have targeted several other key Teamster locals for takeover in next fall's elections, particularly locals in Hagerstown, Md., Cape Girado, Mo., Evanston, Ill. and Oakland, Calif.

But, Fox and his Wall Street controllers are counting on the stupidity of the Teamster leadership. "They have two million members, we have 12,000 (other sources report 1,000 — ed.) They don't know how to fight us..."

#### *The Mineworkers*

The defeat of traditionalist candidate for UMW President Lee Roy Patterson in the June 14 election marked a big success for a Rockefeller-inspired scenario to plunge that union into endless internal difficulties and lead to possible military confrontation over a fall coal strike. Patterson, whose loss in the election, according to informed sources, could have only been attributable to a whole bag of dirty tricks operations ranging from outright vote theft to internal sabotage of his campaign, was the only candidate who could have possibly led the UMW out of the mess created by four years of Institute for Policy Studies-directed rule over the union. The "victor," the incumbent Arnold Miller, was viewed by his own staff as a "helpless paranoid" who had little control of the union. "Arnold is a simple man," one of his staff members told a reporter. "I'm afraid he doesn't even think about such things as whether the military would intervene in our strike."

Patterson has announced plans to challenge the results of the election with the union executive board; if they agree with him — it is said that he is close to a majority on the board — then a new election could be ordered. If that took place, Miller's people have indicated that they would go to court and the whole question of who is in charge of the union could bounce around courtrooms for years. If the Patterson challenge is not to produce even more chaos, sources in the union indicate, he must be willing to come out and campaign on a program of high technology growth.

Meanwhile, IPS networks in especially West Virginia and Kentucky have led a series of wildcats over proposed cutbacks in the union health and welfare fund. Ironically such cutbacks had been forced by previous IPS-directed wildcats which gave employers the excuse to cut back their payments to the fund. At one point last week, more than 30,000 miners were out and Secretary of Labor Ray Marshall was terming the whole situation "dangerous...very dangerous." The miners are now on a two-week vacation. IPS-linked sources in the union have broadcast their intention to continue and expand these provocations.

#### *The Steelworkers*

The chaos in the USW is being sown around two key nodal points.

Two weeks ago, the Labor Department announced that it would undertake the most extensive investigation in its history of charges of vote fraud in last February's USW Presidential election levied by the IPS-created candidate, Edward Sadlowski. More than 250 investigators are now swarming all over the union, examining books and harrasing people, allegedly attempting to discover whether outgoing USW President I.W. Abel had conduced union funds to the victor, traditionalist Lloyd McBride.

According to sources in the Steelworkers headquarters the McBride leadership is reported to be "pre-occupied with the Sadlowski challenge" and "unsure of what the Labor Department is really after." McBride has been saying and doing almost nothing in public, which erodes support for him within the union. "He is laying low," one source said.

Meanwhile, Sadlowski forces are attempting to parlay general dissatisfaction with the recently negotiated national steelworkers pact into a series of localized Apache-style strikes over local issues. Although Sadlowski operatives have tried to get things going in such places as Baltimore's Sparrows Point steel complex, it appears that the most dangerous situations exist in Sadlowski's home District 31 in the Chicago-Gary area. Strikes have been authorized in three key plants — Inland Steel, Republic, and Youngstown Sheet and Tube. At Youngstown, the strike vote carried by less than 10; at Inland, it passed by only 1,000 votes out of almost 15,000 cast. Sadlowski supporter and District 31 head Jim Balanoff had claimed that "there would be overwhelming support for a strike." According to reports from inside the plant, workers feel that they are being "forced out."

The strike votes are accompanied by activation of right and left countergangs within the union. Such an activation, which includes such groups as the Revolutionary Union and Nazi Party, coupled with the closeness of the strike votes, lays the potential for provoked violence, if the strikes come off after the July 31 expiration of the old national contract. Labor violence and provoked strikes are nothing new to the Rockefellers: their family has deployed labor agitators for more than 90 years to justify repression of workers.

—L. Wolfe

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