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TABLE OF CONTENTS**INTERNATIONAL**

- 1 Dollar Shakeout Begins
- 2 — Mr. Witteveen's Partial Victory At Paris
- 3 — Banks Squeezed On Int'l Credit Markets
- 5 — Burns To Save N.Y. Banks, Ruins The Dollar
- 7 — Germany, Japan Refuse Inflation
- 8 Vance Sets Arabs And Israelis Up For WW III
- 10 — Brzezinski Tricks Begin
- 12 Ethiopia Gets OAU Backing

NATIONAL

- 1 Scramble For White House
- 3 Press Assails Lance, Carter Connection
- 4 File Vote Fraud Complaints Against Carter-Mondale
- 6 Humphrey Leads Forced Work Campaign
- 8 Conservatives Vote Yes On Whig Coalition

ENERGY

- 1 Turner Lies: USSR Economy Will Collapse
- 1 — Turner Report Debunked
- 2 The Real Soviet Oil Situation
- 3 — *Pravda*: Nuclear Power, Only Solution

SOVIET SECTOR

- 1 Strategic Study — An Understandable Soviet Blunder

COUNTERINTELLIGENCE

- 1 Brandt Directs Rocky's Terror Against Europe
- 4 Xerox Copy Of Nazi Coalition
- 4 USLP Activates 'Operation Counterterror'
- 5 — Who The Terrorists Are
- 7 French Magazine On Ecology Terror And Carter Policy
- 10 Sweep Up W. German Anti-Nuclear Rabble
- 11 Italian Moves Against Terrorism
- 12 U.S. Crackdown On Terrorists

EUROPE

- 1 Two Policies For Italy... IMF... USSR
- 2 Andreotti Seeks Economic Ties With Saudis

MIDDLE EAST

- 1 Iranian Cabinet Reshuffle
- 2 Cyprus — New Crisis?

LATIN AMERICA

- 1 Argentina: 'Shock Therapy'

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IN THIS WEEK'S ISSUE —

The world has never been so close to thermonuclear **holocaust**... as it is now, in the wake of **Cyrus Vance's mission** to the Middle East. Our **International Report** leads with a complete news analysis of Vance's successful efforts to set up an immediate **Arab-Israeli showdown**.. capped by Carter's "**Resolution 242**" **cap** targeting the **PLO**. Plus "How **Brzezinski Tricked Israel's Begin**," by U.S. Labor Party chairman **Lyndon H. LaRouche, Jr.**

* * *

The **USSR** has **pulled backed** from aggressive, innovative political action to avoid war... and is now **operating in a "war-waiting" mode** in which any further Carter Administration provocations could touch off **World War III**. This is the conclusion of a major **strategic study** of Soviet policy, authored by the Labor Party's **LaRouche**. See "**An Understandable Soviet Blunder**,"... featured in this week's **Soviet Sector** report.

* * *

World **markets** are about to undergo the **biggest shakeout** in history... major **dollar debt defaults** are possible **within days**. Our **International Report** explains how Fed Chairman

Arthur Burns' rev up of U.S. printing presses... designed to save the New York banks.. has triggered the **impending collapse**... Included are analyses of the effect of Burns' moves on the **Eurodollar market**... the **U.S. banking system**... Our **foreign exchange** column reports on the West German-Japanese refusal to undertake a "**suicide rescue**" of the **dollar** by hyperinflating their own currencies.

* * *

Led by SPD chief **Willy Brandt's** open **assault** on West German Chancellor **Helmut Schmidt**... Rockefeller forces are going all-out to smash European resistance with an "**anti-fascist**" **blackmail and terror** wave... with Rockefeller-funded "**environmentalists**" in the vanguard. Our **Counterintelligence** section features a full exposé... including the names of **key agents and organizations** wittingly **complicit** in Brzezinski's terror... and details the most important factional efforts to **clean out the terror** menace in France, West Germany, Italy and the USA. Special feature: **extensive excerpts** from **French press** attacks on "eco-terror"... and the full text of the **French oil industry journal's** article linking the **terrorism** to **Cyrus Vance's** Mideast provocations and the collapse of the Dollar Empire.

INTER-NATIONAL
NATIONAL
ENERGY
SOVIET SECTOR
COUNTER INTELLIGENCE
EUROPE
MIDDLE EAST
LATIN AMERICA

The CIA's **Stansfield Turner** is spreading the line that the **USSR** is facing an acute oil and **energy shortage**... our **Energy** report **rips the lie apart** with a **detailed picture** of the Soviets' energy situation... reprints **Pravda's** own report on the state of **Soviet nuclear fission** programs.

* * *

From Jimmy Carter's standpoint, the **Bert Lance affair** has gotten completely **out of hand**... as the U.S. press has begun to implicate the **President** directly in an expanding web of **financial chicanery**.. and some influential press have quietly begun to look into the **massive vote fraud** which put Carter in office. Lance's speedy **resignation** is widely expected... see **National Report**.

* * *

A resolution approved at a **national conference** of U.S. conservatives in Memphis last week points the way to the **Whig Coalition** required to replace the insane Carter-Mondale Administration with a government of **peace and progress**... see **National Report**. **Biggest obstacle** to that goal... a passive, badly **compromised U.S. Labor movement**, now being pulled into **Hubert Humphrey's**

national organizing drive for forced work **pick-and-shovel jobs**... centered on **Carter's welfare reform**.

* * *

Two policies for **Italy**... an **IMF** letter demanding more extreme **austerity**... a **Soviet** push for expanded Italian **production and trade**, based on **transfer-ruble** financing... Plus the lowdown on **Andreotti's** recent trip to Saudi Arabia... see **Europe**.

* * *

Under heavy **pressure from Rockefeller**... including **assassination threats**... the **Shah of Iran** has reshuffled his cabinet to expose a **pro-U.S. "tilt"**... Washington lawyer **Clark Clifford** is doing Vance's dirty work in **Cyprus**... two **in-depth reports** on key developments which could worsen the strategic situation in the explosive **Middle East**.

* * *

Argentina... showcase for **Rockefeller-IMF** looting procedures... is the subject of this week's **special economic survey**... see **Latin America**.

Dollar Shakeout Begins

The biggest market shakeout in the post-war period is underway, and all players are scrambling for positions. Contrary to surface impressions, the great decline of the dollar on the foreign exchange markets was neither a correction for the anticipated \$30 billion U.S. trade deficit, nor a reaction to Treasury Secretary Blumenthal's much regretted remarks at the July OECD meeting concerning the Administration's willingness to let the dollar fall. The dollar fell, rather, in the wake of efforts by Fed Chairman Arthur Burns to buy time against the onset of a liquidity crisis on the Eurodollar market.

Burns' deliberate efforts to push money into the U.S. banking system, which produced the 18.5 percent rate of growth of narrowly-defined money supply over the most recent 4-week period, culminated eight months of struggle to prevent general default by a number of Third World countries. The U.S. banking system's resources have been shipped abroad: the New York banks alone, measured by clearinghouse figures, effected a net \$12 billion transfer of liquidity abroad this year, partial refinancing for about \$37 billion in debt service due this year from the Third World. The big refinancing operation benefited strongly from the first-quarter surge in commodities prices, which faded into a price shakeout over the second quarter, with devastating effects on the current-account payments capacity and deposit base of leading Third World countries.

Defaults Within Days

The liquidity crisis hit with full force in July. The Federal Funds market became the deposit pool for refinancing new debt service, at the height of the heavy third quarter payments schedule. The glut of funds on the market collapsed the dollar. Burns' efforts to sustain the dollar by hauling up interest rates have narrowed lending margins on the Eurocurrency market to between 3/4 and 1 percent, the level of extreme danger, especially considering that leading international banks have used the extremely high lending margins of the last two years to siphon interest-income into bookkeeping accruals on loans to insolvent Third World and other borrowers. This, as the leading West German daily *Frankfurter Allgemeine Zeitung* analyzed the spread squeeze on Aug. 11, "sets the conditions for a panic."

Now the European press, as a whole, is openly discussing the likelihood of a debt collapse within days.

*The *London Times* cites "international bankers" predicting an open default by Peru within days, not weeks," due to the country's refusal to accept International Monetary Fund loan conditions, and bankers' unwillingness to refinance debt further.

*The *International Herald Tribune* (Paris) predicted Aug. 12 that Brazil would default during September, when the country's coffee exporters must pay up on contracts for future delivery they bought earlier this

year in a vain effort to boost coffee prices. The coffee exporters, now on the verge of bankruptcy, will not be able to make their September payments, and the result will be major Brazilian defaults.

*The leading Argentine newspaper *Clarín* predicted Aug. 9 that debt defaults would occur "within weeks," and that "if two or more countries defaulted, the entire banking system would go up inside of 15 minutes."

*The *London Times* predicted Aug. 12 that the dismissal of the Zaire central bank governor last week would wreck all the complex loan renegotiations of the past year, leading to Zaire's default.

Burning Bridges

There should be no illusions as to the character of the situation. The liquidity crisis is the immediate result of Western European and Arab refusal to put up with a declining dollar, which forced Burns' rise in interest rates. As late as Wednesday, Federal Reserve officials pleaded with the West German monetary authorities for a drop in interest rates and similar fiscal reflation measures, in order to enable the Fed to stay the rise in interest rates and prevent a renewed plunge of the dollar. The West Germans refused point-blank, and the Bundesbank Council meeting held rates steady at its Thursday meeting. In response, the Fed began another round of rate-tightening, which may well push the Fed funds rate far above 6 percent. Burns, for all the lessons of the past 50 years, has done precisely what the Federal Reserve did prior to the great 1929 crash, i.e., first unleash a mass of liquidity, and then raise its cost.

These events have set off a scramble for existence among leading banking factions, characterized, among other developments, by a decision among the Citibank directors to survive in a situation where its "rival," Chase Manhattan, may well have to be sacrificed. Although the emerging lineup is not yet clear, a number of possibilities can be set out in advance. First, a major change in British thinking has taken place over the past week. A commentary in the *London Times* Aug. 11 by David Blake characterizes the International Monetary Fund as a "boxed-in, powerless," "formerly impressive" institution, with "disbursement commitments four or five times in excess of its resources," and proposes that the Saudis and other countries with low voting rights inside the IMF not be "suckered" by the United States.

Arab tolerance for the dollar mess is at a low, despite the Saudis' reluctant agreement, under direct threats from terrorist Cyrus Vance, to give the IMF \$2.5 billion last week. A group inside OPEC is dead-set against helping the Fund. An *Agence France Presse* report notes that a faction inside OPEC demanded no contributions to the Fund, while the Venezuelan oil minister Hernandez Acosta and the Emirates minister al-Otaiba jointly stated

at a press conference Aug. 6 that if the dollar kept depreciating they would switch oil payments to a new OPEC currency.

The British are in an immediate squeeze, since certain of their banks are among the most vulnerable to a profit-squeeze on dollar lending. However, Lloyds' and a number of other large banks are considering a return to sterling lending to the Third World, with backing for the British currency by the Arabs. Indeed, the Italian business daily *Il Sole* Aug. 12 linked the recent credit-easing moves by the Bank of England to a greater international lending role for the British pound.

It is still doubtful that the immediate reactions of the

banking community to the imminent mess ahead constitute a final answer. Most of what is now underway is improvisation and scramble. Analysts at Kidder Peabody believe that first-tier banks like Citibank will survive in the short-run through triage of second and third-tier institutions. But such exercises in lifeboat economics have obvious limitations. What must be seen is whether the proposals for a joint European-Arab-Comecon currency arrangement with some form of gold peg take off, or whether the U.S. Administration succeeds in crushing them. In the latter case the world situation will almost certainly deteriorate into chaos within weeks, with the most extreme dangers at hand for the avoidance of a war confrontation.

— David Goldman

Mr. Witteveen's Partial Victory At Paris

Although International Monetary Fund Managing Director Johannes Witteveen left the Aug. 6 meeting of rich countries in Paris claiming to have \$9.6 billion in hand for a special IMF fund, the IMF will neither be able to collect or spend the money until well into 1978. According to senior IMF and World Bank sources, the availability of hard cash to the IMF will be delayed pending appropriation of the American share by Congress, and extremely difficult to spend under conditions set by the West Germans.

Witteveen called the meeting to raise funds for the so-called "Special Facility" for countries pressed by balance of payments deficits, originally projected to comprise \$16 billion at the April 26 meeting of the IMF's Interim Committee in Washington, D.C.

As those countries with heavy deficits are not coincidentally among those with large outstanding — and uncollectable — loans from the New York banks, it is hardly surprising that many in Europe and the Third World view the "Witteveen Facility" as a bailout fund for David Rockefeller and friends.

Forced to scale down his original demands, Witteveen extracted commitments totalling SDR 8.15 billion, or \$9.6 billion, from the following countries:

Saudi Arabia	SDR 2.15 billion
United States	1.45
West Germany	1.05
Japan	0.90
Switzerland	0.65
Venezuela	0.50
Abu Dhabi	0.10
Canada	0.20
Belgium	0.15
Holland	0.10
Qatar	0.10

France and Britain had been excluded from the meeting, on the grounds that the two countries would be potential borrowers, not donors to the fund, despite some British objections, as the British press noted with some

malice. Nonetheless, West German Finance Minister Hans Apel announced in a press conference Aug. 6 after the meeting that his position had been entirely coordinated with his European community partners, Britain and France. The conspicuous absence from the donor list of Nigeria and Kuwait, the OPEC countries with the closest ties to London, indicates that the British had their revenge in any case.

Details of the Fund's operations have not yet been released, and the Executive Directors, the national representatives who manage the IMF's affairs, are still hammering out points of difference. But numerous IMF sources report that the money will be unspendable for the critical months ahead. First of all, in the best-case scenario of the IMF Secretariat staff, the U.S. Congress will require a minimum of six months to appropriate its share. The London *Sunday Telegraph* gloated Aug. 7 that Congress could not even consider the issue under the current tight legislative schedule before its recess in October. Witteveen lost on a crucial procedural point: the special fund will not be "open-ended," that is, Witteveen cannot spend any of the \$9.6 billion until the full complement has been gathered. So the Saudi contribution cannot be spent until the U.S. contribution is through.

Secondly, as Apel emphasized in his press conference, the new money will not function as a special fund to be lent at Witteveen's discretion, but will only be lent under the existing procedures for normal IMF lending, and under tight conditions. IMF member countries may draw from their quota at the IMF in four tranches, each requiring approval by the Executive Directors, and increasingly strict conditions. The much publicized loans this year to Britain and Italy took place under fourth-tranche conditions, which require the borrowing country to submit its entire domestic economic policy to IMF approval. Apel emphasized that the same strict procedures will be employed for the new money, which will only add to member borrowing capacity under the existing tranches, which have been virtually exhausted. "The money may never be spent," commented a West

German monetary official. The precise details of the lending formula are still being worked out, but all sources concur that lending will fall within these tight parameters.

"The West Germans are playing tough," commented a senior World Bank staffer. "They claim that the U.S. commercial banks are too eager to lend money to developing countries, and mess things up for them by ruining these countries' credit rating. So they imposed tough conditions. Witteveen doesn't like that," the official said.

"Probably the money never will be spent," the official continued. "It's for show, like bank reserves. As long as it's there, and you can count on it, it helps confidence."

The preservation of that admittedly thin veneer of credibility, however, allows the Vance's and Brzezinski's to pursue at the risk of nuclear war their nuclear "chicken game" and blackmail and terror operations against Europe, the Middle East and the USSR — and thus despite its setbacks, the IMF came out the meeting better than many observers had expected. According to an *Agence France Presse* report Aug. 5, a minority

faction in the meeting of OPEC finance ministers that week proposed to reject contributions to the IMF on the grounds that OPEC had more important commitments in the form of direct loans to the Third World, and internal development spending. This faction included Kuwait, the United Arab Emirates, and Venezuela, according to highly reliable Arab sources. State Department officials responsible for following this area doubted, prior to the meeting, that the Saudis would give anything close to the \$2.5 billion they ultimately agreed to.

Highly reliable sources report that U.S. Secretary of State Cyrus Vance, who visited Saudi Arabia Aug. 5, used threats of military action and terror against the Saudi Royal family to persuade them to hand over the money. The next day, the Saudis paid \$2.5 billion in protection to the IMF.

The IMF's credibility has survived, but by the thinnest of possible margins. It still has virtually no effective resources to deal with the Third World balance of payments deficit this year of over \$50 billion, including at least \$17 billion in repayment of debt-principal, and over \$20 billion in interest (some of which is not counted into the official balance of payments numbers).

Banks Are Squeezed On International Credit Markets

In a period of increasing debt payments on the international market, total world lending volume has barely risen during the first half of 1977. International bond issues and medium-term Eurocurrency bank credits have reached \$33.1 billion for the whole of 1976, reflecting an actual decrease if a 10 percent inflation rate is taken into account. This has not been due to "an improvement in the currency accounts of the Third World," as some New York bankers would still claim, but to the fact that those Third World countries have met their payments only through the 1976-1977 commodity price increase: through self-imposed or International Monetary Fund imposed austerity and through related import cuts. The burden of the debt has been partially transferred to the commodity-consuming industries of the developing sector, which in turn have increased their rate of borrowing — not for capital formation, but to maintain working capital. The structure of the borrowing has therefore been almost entirely artificial — divorced from capital-intensive, long-term development projects — and as such, has left the markets in a state of immediate vulnerability.

The maintenance of international borrowing levels was determined by an increasing presence on the markets of relatively well-off industrial countries such as France, Great Britain and Sweden, and a sharp growth of the OPEC share. The more needy Third World countries were kept out of the markets.

As a whole, the share of the non-OPEC LDC's and that of the "international organizations" involved in the Third World financing has diminished while ironically, only the petrodollar rich OPEC countries have increased their participation.

A country-by-country approach is even more revealing. The more important borrowers are industrial countries with balance-of-payments problems, trying to maintain imports for their basic industries and a certain level of investment through foreign indebtedness. In other words, while Mediterranean and Third World countries near financial collapse were willingly or unwillingly absent from the international markets, industrial countries actively borrowing were progressively putting themselves in the financial situation of Third World countries!

The case of the Scandinavian countries is especially spectacular, with debt-service ratios (annual ratio of foreign debt payments to total exports) already similar

Shares of total publicly announced international borrowing		
	1976	First half 1977
Industrial countries	57.5	56.9
LDCs (non-OPEC)	20.8	19.1
International organizations	10.7	8.1
East Bloc	4.2	4.1
OPEC	6.8	11.8

to countries like Spain and Portugal. These countries have been trying through future indebtedness to avoid currency devaluations demanded by the New York banks. This cannot be called sound borrowing.

Main borrowers; eurocurrency and international bond issues		
(In billions of U.S. dollars)		
	1976	First half 1977
Industrial countries		
Sweden	1.551	1.803
United Kingdom	2.707	2.668
France	3.307	2.190
Norway	1.879	1.196
Denmark	1.602	1.083
Mediterranean countries		
Spain	2.281	1.040
Third World countries		
Brazil	3.500	1.293
Mexico	2.441	1.338
Philippines	1.337	396
Argentina	958	338

The case of Argentina is particularly hailed by the International Monetary Fund: the government of that country managed to cut its foreign borrowing through a drastic austerity program which impairs its industrial development. This is the reality behind the above mentioned figures.

Lending Crisis

The nominal increase in international borrowing was entirely due to Eurocurrency credits and the Eurobond market. Eurocurrency credits reached \$17.763 billion for the first six months of 1977 as against \$28.850 for the whole of 1976. The Eurobond market amounted to \$10.040 billion for the first six months of 1977 as against \$14.328 for the whole of 1976. On the contrary, international bond issues in the U.S. and other national markets have sharply fallen.

On the U.S. bond market, foreign bonds issued during the first six months of 1977 reached an amount of \$3.42 billion, as against \$10.604 billion for the whole of 1976. This means that during the first six months of 1977 the total was little more than half of the amount raised during the equivalent period of 1976. This mainly reflects

a decline for Canada, which raised \$1.6 billion in January-July 1976.

The trend was even more spectacular in the foreign sectors. Switzerland raised \$1.097 billion this year (as against \$5.36 billion for the whole of 1976) and West Germany raised \$488 million this year (as against \$1.29 billion for the whole of 1976). This is to say that a country like Switzerland raised less during the first seven months of 1977 than they had done during the last quarter of 1976.

This was not because drastic conditions were imposed on foreign borrowers. Despite low interest rates and available 8-10 years credits, there was still no significant demand. The conditions were in fact even better on the U.S. market than on the Euromarkets, and several foreign borrowers obtained Eurocurrency bank credit commitments as a backing to issue commercial paper in the U.S.. The simple truth is that potential borrowers were economically exhausted and unwilling to invest in real production given the narrowing rates of profit.

The West German bond market is the most revealing example of this situation. Speculative liquidities flowing into investments in deutschemarks, while West German industry borrows only what it needs for sheer survival. As a result, there is a "borrowers' market" in which maturities of the obligations grow longer and longer. *Handelsblatt*, the journalistic spokesman of the West German industrial community, is satisfied, because whereas in 1974 only about 15 percent of the securities' terms were 10 years or over, now that category is over 50 percent of the notes issued, and almost nothing remains under two years.

This would be all very well if West German industrialists were investing; but the West German industry, as well as the U.S. and the Third World countries, are actually deinvesting, and this is reflected on the bond markets. All new bond issues are now over-subscribed and interest rates continued to go down.

There was so much liquidity around and so few potential borrowers that the recent fall of the dollar on the exchange markets does not appear to have caused much of a problem, if any, for dollar-dominated Eurobonds. New issues offered in the midst of the dollar decline were in sufficient demand to permit increases in the sizes of issues and reduction in the coupon-rates.

Banks Squeeze

Thus the ironic problem for the banks at this point is a glut of funds available to be lent and not enough borrowers on the market. As a consequence, the differential between the lending rate and the rate at which the banks borrow money is falling; it has now reached one percent, barely enough for the banks not to lose money.

The banks' extreme vulnerability is aggravated by the recent shift in the markets. Starting in July, there is already a push for more credit from Third World, East Bloc and Mediterranean countries. The decrease in commodity prices which started by the middle of the second quarter has impaired the export resources of those countries, while certain governments have decided to borrow again whatever the consequences in order to maintain their industrial capability.

For example, various East Bloc countries tried to reduce their borrowing at the end of 1976 and during the first quarter of 1977. But seeing that this was impossible without impairing their economic growth, they have restarted borrowing again— and the amounts borrowed have doubled between the first and the second quarters of this year. Moreover, Poland and the USSR, which have the most dramatic need for credit, have now to rely heavily on short-term bank credit. The case of Turkey is worse: it has based its industrial development on short-term bank credit (convertible accounts in Turkish lira) and is now unable to service its debts— except by borrowing more.

Another token of credit-for-rollover needs is the

situation of the U.S. bond market. Foreign bonds issued in the U.S. reached \$1.3 billion during the first quarter of 1977 and \$2.1 billion during the second quarter. Despite the increase, the total was 40 percent inferior to that of 1976. But in July only \$1.2 billion foreign notes were issued on the market — much more than than in 1976.

To meet those new requirements, the money supply has been drastically increased in the U.S., and now interest rates have been raised to save the dollar.

The banks are therefore facing the following dilemma: on one side, their cost of borrowing is increasing despite overflowing liquidities, while on the other side a new round of bankrupt borrowers is coming back to the markets and pressing for low interest rates.

Burns Tries To Save New York Banks; Ruins The Dollar

While Treasury Secretary Blumenthal has been lashed for the last month in the international press, with some justice, for destroying the dollar, Federal Reserve Board chairman Arthur Burns has been quietly and deliberately acting as the real force bringing on the dollar's downfall.

Since the beginning of this year, Burns and his Wall Street cohorts have been rushing to plug the widening holes in the badly leaking New York banks' real asset picture, using any means at their disposal, no matter how illegal or damaging to the nation's economy and credit.

Under Burn's direction, two complementary strategies have been followed. First, with Burns' active approval, the largest New York commercial banks have violated sound banking principles — and perhaps several laws — to transfer huge volumes of deposits from domestic accounts at their New York head offices to their foreign branches. Between January and August, a net swing of \$12 billion of liquidity of the ten largest New York clearing house banks has been effected. Second, beginning approximately June 1, Burns started a policy of pumping federal funds into the accounts of the Wall Street banks at artificially cheap prices.

The net effect of these policies: the deposits and federal funds have been pumped into the Eurodollar market. There, unencumbered by reserve requirements, they have been re-lent several times over to prop up the swollen book value of New York's bank loans to notably over-indebted Third World countries.

Why the Money Supply Has Shot Skyward

The most immediately visible of the Burns' solutions to save Wall Street has been manipulation of the federal funds rate by the Federal Reserve's Open Market Committee (FMOc).

Since June 1, the FMOc has been making increasingly heavy purchases of Treasury Securities in order to hold down the rate at which banks borrow money from each other — the federal funds rate. Until the first week of August, the FMOc kept the federal funds rate for the two

previous months to between a narrow range of 5.3 percent and 5.4 percent. Consequently, for the month of July, bank reserves increased at a stunning 18 percent rate, and since June 1, the monetary base has grown at an annual rate of 12 percent.

But this easy-money policy immediately reverberated throughout the economy, pushing skyward the monetary aggregates, which strongly reflect the amount of new reserves pumped into the economy. According to the latest Federal Reserve weekly figures, M1, consisting of currency in circulation and demand deposits, has been growing at a staggering 18.5 percent rate for the last four weeks, and M2, consisting of M1 and savings deposits, has skyrocketed at a 12.9 percent rate for the last four weeks. The eight-week averages of these aggregates have been equally high.

Business Week senior editor Bill Wollman, in an Aug. 15 commentary in that magazine, titled "Has the Fed Made A Costly Blunder?" points out that "the Fed has been indulging in a binge of money creation that ...threatens the world economy with sharply higher prices, soaring interests rates and unstable currencies." "Why did the Fed indulge in a cheap money policy" which is clearly so destructive, Wollman asks.

The answer has nothing to do with the domestic economy. By holding the federal funds rate low, the Fed kept the New York banks flush with a supply of cheap and abundant funds. Because of the highly competitive conditions existing in Europe, which have lowered the bank spread between obtaining and lending funds to 1 percent interest, the Fed policy gave the New York banks an extraordinarily important marginal advantage in the price they paid for funds.

And borrow Fed funds the New York banks have done, in record amounts. By the week ending Aug. 3, the ten largest weekly reporting New York commercial banks had a cumulative purchased position of over \$20 billion in federal funds, more than 15 percent of their total liabilities! No other regional group of banks even approaches this figure.

New York Banks Deplete Their Domestic Deposit Base

The Burns-FMOC manipulation of the Fed funds rate intersected the other half of the strategy to bail out the New York banks, which began in early January. This complementary strategy centered around shifting domestic deposits of New York banks to the banks' foreign offices, leaving the U.S. economy, especially industry and agriculture, high and dry for funds.

In the first quarter of this year, while Third World commodity prices were still artificially jacked up to peak premium price levels to facilitate Third World debt repayment, Europe began to experience need for funds to finance Third World import purchases.

To accommodate this call on funds, the ten largest New York banks began their major transfer of deposits operation. Between Jan. 12 and Aug. 3, total net domestic deposits of the ten largest New York commercial banks declined \$6.7 billion, while in approximately the same time span, these New York banks' deposits into their foreign branches increased \$6.7 billion — a net swing in liquidity of \$13.4 billion. Most of this transfer of funds occurred by April 12, according to New York Clearing House Association figures.

This transfer having achieved its purpose, by the end of the first quarter, the demand of industrialized OECD nations for funds slackened off, coinciding with the late-March break in the commodity-prices bubble, and by a drop in the volume of bond issues placed during the second quarter. However, by the end of the second quarter, Third World and weaker-OECD nations' demand for funds began to escalate again, exemplified by the leap in July figures of foreign bonds placed in the U.S. of \$1.2 billion.

As the outlines of upsurge in renewed borrowing became evident, Arthur Burns swung into action, starting in June, by artificially depressing the federal funds rate, and swamping the banking system with reserves.

Burns Strategy on the Rocks

In the midst of Burns' Grand Financial Manipulation, a number of danger signals converged into an outright crisis. First, the U.S. ever-widening trade deficit reached \$12.59 billion by mid-year, according to Commerce Department figures which were ominously released July 27.

Second, various European forces, intent on breaking with the dollar, used the opportunities presented by the underlying weakness of the dollar to begin a series of anti-dollar raids, signalled by Britain's break from the dollar July 27, and the strong Swiss-French-Arab axis move into gold. At the same time, a number of alarmed U.S. industrialists, who saw double-digit inflation on the horizon, let out squeals of concern.

With the Aug. 4 release of money-supply figures showing M1 growing at nearly 20 percent, Arthur Burns

was forced to pull in his horns. By Aug. 5, the effective federal funds rate had been yanked to 5.80, a leap of 40 basis points in one week.

Burns still hoped to carry on his strategy in a limited fashion by forcing German and Japanese reflation, which would offset the effects of U.S. inflation, by generalizing inflation world wide, and allow the U.S. not to tighten the Federal funds rate any further.

However, on Aug. 10, the Bundesbank rejected Burns' "magical stimulative medicine". In immediate response, on Aug. 11, the Fed executed two large repurchase agreements, sending the federal funds rate one eighth of a percent higher. Several financial analysts, including Donald Maude of A.G. Becker, are predicting a 6 percent federal funds rate by this coming week, the highest rate in a long time.

Further, on Aug. 11, the Eurodollar rate, moving in tandem with the U.S. federal funds rate, rose one eighth of a percent to six and one-half percent, and is expected to go to six and three quarters by the end of August. The Dow Jones Industrial average of the New York Stock Exchange proceeded to fall 9.6 points Aug. 11, closing at 877.43, its lowest level in 19 months.

Who's Going to Survive the Embroiled Bank War

The explosive unraveling of Burns' grand strategy to save the New York banks brought up the question among bankers in its sharpest form: who will survive?

The raising of the federal funds rate has the strongest implications. According to a spokesman for the Union Bank of Switzerland, many banks are now borrowing short-term three to six-month money and lending long-term — for as long as 8 to 10 years in some cases. The rapid increase of short-term rates will lead some banks to take a bath.

Precisely this view, according to a Robert Lovard of Kidder, Peabody, has divided even top-level banks into a three-tier system. The first-tier banks, says Lovard, will get slight benefits, as the second and third tier banks will have to pay marginal but decisive premiums for their funds. Some second and third-tier banks will not survive long.

Indeed, a terminal case has very quickly matured in the United States between the two bankrupt New York giants, Chase and Citibank. While in the first seven months of this year, Citibank increased its overall net domestic and foreign deposit base (which can be put to supporting its share of bad loans) by \$3.5 billion, Chase Manhattan's overall net deposit base declined by \$2 billion. Citibank effectively gained a \$5.5 billion edge over Chase. According to one analyst, if Chase loses some of its critical Latin American depositors, it could suffer a rapid bankruptcy, with Citibank coming out of the depression alive if not intact. The remainder of the international banking community has become acutely attuned to these possibilities.

— by Richard Freeman

Germany, Japan Refuse Full-Steam Inflation To Bail Out Dollar

The West German government and the central bankers at the Bundesbank delivered their verdict Aug. 10 after a week of U.S. Federal Reserve pressure on them to initiate an "expansionary" monetary policy. The answer — seconded by Chairman Morinaga of the Bank of Japan — was *no*. The central banks will not cut lending rates and reserve requirements to loosen available liquidity. Down to the last minute, the Fed had been on the transatlantic phone to Frankfurt, demanding a step which is ostensibly aimed at upping West German and Japanese ability to absorb U.S. exports, and thus mitigating the American trade deficit which, Treasury Secretary W. Michael Blumenthal said this week, he hopes will run no higher than \$30 billion!

The Treasury has been screeching for West German-Japanese reflation since Jimmy Carter moved his dungarees into the White House, with the most recent backup coming from Robert Roosa of Brown Brothers Harriman in the Aug. 10 *Journal of Commerce*. Roosa's investment-banking counterparts at Lehman Brothers made it clear in an interview this week what is actually at stake in the reflation issue, however: not exports *per se*, but the dollar and dollar debt. "Germany will grow much faster than we will next year, (chuckle) which will put the burden of the international monetary system on them." Added liquidity is intended to help refinance the debt burden, while lower interest rates and higher inflation will keep yen-mark appreciation from making the dollar look too outrageously weak.

The Bundesbank's *Nein* was curt, but not entirely unqualified; a combination of genuine unemployment problems and disingenuous political pressures has induced the West German government to make concessions in the direction of expanded public-works spending for energy "conservation" and other Carteresque goals. The concessions to date are, however, vague in character and indeterminate in appropriations.

Meanwhile, the Bundesbank's decision — described as "quite a coup" against the dollar by Citibank — obliged Federal Reserve Chairman Arthur Burns to drain liquidity, through forced sales of Treasury paper, from the U.S. banking system, in order to jiggle up interest rates and stabilize the dollar. The West Germans and Japanese are well aware of the situation *Business Week*

underscored in its Aug. 15 issue — that under his Scrooge wig, Burns had been acting like a Micawber who got his hands on a bill-printing press, and since June has impelled double-digit money-supply expansion. They are also aware of what the new "contraction" will do to the real economy and to refinancing capacity. Small wonder that the Bundesbank and Bank of Japan refused to follow either Burns' instructions or his example.

One key international consequence of Burns' acrobatics will be the collapse of that notorious "boom" sector of the capital markets, the Eurodollar bond market. New York bankers point out that spreads are shrinking and — despite a plethora of investors looking for someplace to put their funds — there are few borrowers, given the state of capital expenditure. The fundamental weakness of the dollar plus a rise in interest rates will make a fixed-interest dollar placement like a Eurodollar bond about as attractive as Robert Hall stock. (Declining spreads and cutthroat competition are also hitting the West German banks involved in the Euromark bond sector, however.) Analysts say that, since there are no new dollar issues to speak of, it is too soon to say when the U.S. interest-rate trend will catch up with the Eurobond market, but some fear that in the fall, the new issues will never materialize!

The foreign exchange markets were fairly subdued last week as speculative positions against the Scandinavian currencies unwound in the wake of the IMF Group of 14's disinclination to press for a devaluation in Paris the preceding weekend. Short positions are reportedly building up against the French franc, however, in what is most probably a New York-orchestrated blackmail effort against French policymakers' energy and nuclear posture. The heat was off the dollar, partly for technical reasons, partly because of the interest-rate lift, and above all because Western Europe and Japan took no direct action to pull the plug. The lower Manhattan strategists had to content themselves with potshots against the Austrian schilling, instead of wrecking the Western European joint-float currency snake on schedule with the Scandinavian devaluations, but they have been left in their sniper's seat for another dangerous week.

Vance Sets Arabs and Israelis Up to Start World War III

As pre-programmed, the just-concluded 12-day visit of U.S. Secretary of State Cyrus Vance to the Middle East has brought that region substantially closer to a catastrophic Arab-Israeli showdown and exploding world war.

Hardly had Vance concluded his last day of shuttles to the Arab "front-line" countries than U.S. press stories emanating from the Secretary of State himself delivered the crisis line: that a Geneva Mideast peace conference jointly called by the Soviets and the U.S. was highly unlikely this year and that the danger of war was growing quickly.

An Aug. 12 UPI dispatch emphasized that Vance was leaving behind him "fears of war" and reported bellicose warnings from various Arab leaders. A prominent *Washington Post* dispatch of the same day headlined, "Vance's Middle East Trip Ends With a Hint of Future War." Vance himself a day earlier had chirped that "the parties (to the conflict) remain divided on key issues."

Most signs point to a spiralling crisis breaking out by mid-September at the latest. By that time, Vance intends to corral Arab and Israeli Foreign Ministers into U.S.-mediated bilateral negotiations in New York with the Soviets totally excluded and with the PLO leadership either brought under the U.S. thumb or effectively eliminated from the Mideast entirely. To bring this about will require a series of simultaneous crises: on the Egypt-Libya front, in southern Lebanon, and on the Israeli-occupied West Bank. In the latter case, a State Department official noted, Vance will have to "decide whether controlling a West Bank settlement is worth risking World War Three."

The manic pace of U.S. Mideast diplomacy has nothing to do with U.S. national self-interest in stabilizing that volatile area by encouraging a process of rapid regional development. Vance and his Wall Street allies are determined, in the shortest possible time, to break apart the Organization of Petroleum Exporting Countries as a viable entity capable of expanding negotiations for a new world monetary order with the Western Europeans and the East Bloc. This requires engendering enough regional chaos to destabilize European-oriented regimes in Algeria, Iraq, and Libya, and to lock the security-conscious Saudis into a 100 percent pro-Dollar Empire stance, under the blackmail threat of unleashing a "breakaway ally" Israeli preemptive strike at the Arab oilfields.

Perceiving the growing threat of war resulting from the Vance mission, the Soviets warned Aug. 11 that Vance's actions were working *against* U.S. national interests. A Radio Moscow dispatch accused "powerful

circles" in the U.S. of fully backing Israeli military incursions into southern Lebanon and Israeli intransigence in negotiations. "These circles," the Soviets stresses, "are responsible for the explosions in the Mideast, and are acting against the interests of millions of Americans."

Two-Faced Diplomacy: Israeli Masada...

Throughout his Mideast tour, Vance had two immediate goals in mind: to create the *illusion* of U.S.-Israeli confrontation in order to reinforce the preemptive strike tendencies in that country's leadership *and* to destroy the Palestine Liberation Organization as a functioning political organization.

The key moment in this dual strategy was Vance's Aug. 8 leak that the Saudi leadership had promised him that the PLO would for the first time ever agree to recognize United Nations Resolution 242 if they would be then included in the overall negotiating process in the Mideast. Since that resolution's characterization of the Palestinians as "refugees" has always been categorically rejected by the PLO, the effect of the Vance announcement was both to run a destabilization operation within the Palestinian movement and to signal the Israelis that the U.S. was pushing them into the "breakaway ally" mode.

During the entire Vance tour, reporters in his entourage were conducting the line that the U.S. position was "moving closer to the Arabs" and that a "U.S.-Israeli confrontation" was imminent. Such psywar had the intended effect of introducing a new terrifying dimension of Israeli "Masada Complex" considerations into the already dangerous Mideast situation.

Conforming to the program, Israeli Prime Minister Menachem Begin launched into several hysterical tirades against the PLO, labelling them "genocidists" and "child murderers." Begin likened the PLO's national covenant, which does not recognize the state of Israel, to an "Arabic Mein Kampf," and depicted Israel's relation to the PLO to that of the Jews facing the Nazis in the 1930s!

Begin also proudly admitted Israeli aid to the "Lebanese Christian" fascist militias north of Israel's border and warned that Israel would never let the "Christians be abandoned ... to the Moslem Sea." The *Washington Post* noted that Begin had suddenly turned Israel's actions in Lebanon into a "national moral commitment."

Further reflecting his meetings with Henry Kissinger and the Rockefeller brothers during his recent U.S. visit, Begin violently attacked France for failing to "aid the

Christians in Lebanon" and hurled a hardly veiled attack against the Arab oil producers, speculating when "in god's good time" the world would be free from "that great world power, Abu Dhabi."

Begin's ravings have opened up a series of options for Wall Street policy planners. On Aug. 10, *New York Times* editorialist James Reston advised that Israel be given enough "security guarantees" to safeguard the country "against any aggressor, including the Soviet Union," as an alternative to the Israelis launching a "preventive war." On Aug. 9, London's *Daily Express* reported that Vance had been authorized by President Carter to offer the Israelis a "major base" in return for a public promise of Israeli "concessions." This is an updated version of an old scheme of New York's Senator Javits to have Israel fully integrated into NATO operational capabilities.

Related sources have suddenly circulated the warning that the only alternative to war is a return to Kissingeresque "step-by-step diplomacy." A source at the American-Israel Public Affairs Committee stated flatly that "Israel would go to war if there is a stacked deck against her through the changing of Resolution 242," but that "the idea of a return to Kissinger's diplomacy is being talked about a lot in Washington lately." An Israeli embassy official backed this up, stating that Israel "might possibly make a separate deal with Egypt" and that "everybody is waiting for Kissinger to jump out of the closet and yell, 'I told you so'."

Not surprisingly, Moshe Dayan, Israel's Foreign Minister and the leading Kuhn Loeb-Lehman Brothers operative in Israel, has begun to emerge as a spokesman for an alternative, differently "nuanced" policy from that of Begin. *New York Times* reporter Flora Lewis Aug. 12 had an interview with Dayan in which the one-eyed Foreign Minister declared, "I am not Begin" and advocated a Kissinger-type policy of Israeli-Egyptian separate dealings in opposition to the Times' reports of Begin's position that Egypt and Syria were equally dangerous to Israel's security. According to Lewis, Dayan in exuding an "almost contradictory impression" to that of the Prime Minister.

Dayan and other Wall Street-connected generals such as the head of the Democratic Movement for Change, ex-Chief of Staff Yigal Yadin, have frequently been mooted as taking over the effective reins of power from Begin in a situation of general crisis. Yadin, suspiciously, announced earlier this month that "the great moment of coming into the Cabinet" is approaching, a comment which London's *Daily Telegraph* linked to semi-official Israeli evaluations that war is the likeliest outcome of the Vance tour of the Mideast.

...And Eliminate the PLO

The predominant effect on the Arab leadership of the growing preemptive strike motion in Israel is fear. This reaction on the part of the Saudis and Egyptians in particular has totally blinded them to the brinkmanship consequences of Vance's diplomacy.

From all currently available information, the pro-U.S. wing of the Saudi ruling family led by Prince Fahd and Foreign Minister Saud el-Faisal has been totally com-

PLICIT in setting the destabilizing 242 operation into motion.

Ever since Carter announced on Aug. 8 — in response to Vance-conducted Saudi overtures — that the PLO could participate in Geneva talks if it accepted 242 and that "it would be okay with us" if the PLO chose to regard 242 as dealing with "more than refugees," a dangerous chaos and confusion operation has been launched within the Palestinian resistance movement that threatens to only increase general Mideast instability.

According to U.S. press reports, the Carter Administration is armtwisting the "conservative Arab states" to pressure the PLO into responding positively to Carter's overture *without* any U.S. commitment whatsoever to a change in the wording of that document. The Saudis, these reports continue, are attempting to bring into the fore a pro-U.S. faction within the PLO that will either form a "government-in-exile of moderates" to open contacts with the U.S. or that will authorize the PLO leadership to open negotiations with Carter on a revision of 242.

No PLO spokesman has yet publicly responded positively to Carter. PLO leader Yasser Arafat spent much of the past ten days in Vance's footsteps trying to convince moderate Arab leaders to resist "the Vance Plan." One prominent PLO "moderate" declared that the Americans are trying to put the PLO "on that slippery slope down which you cannot but slide to the bottom" through Carter's intentionally ambiguous public statements.

But reflecting some level of confusion within the Palestinian movement, a meeting of the Palestine Central Council, the PLO's interim negotiating body between meetings of the Palestine National Council, has been postponed from its originally scheduled date of Aug. 16 to Aug. 25.

The only Arab state giving the PLO more than a simple verbal backup is Syria. In a recent interview with the London-based *Arab Report and Memo*, PLO second-in-command Abu Iyad identified growing signs of Syrian-PLO rapprochement, especially growing out of recent tripartite Syria-PLO-Lebanon accords to cool down the Lebanon crisis. Syrian President Assad is under enormous pressure from internal army forces, the Soviets, the Iraqis, non-U.S.-controlled Saudi circles, and the PLO itself to maintain this alliance.

The key for Vance in breaking this dynamic will be to engineer a separate Egypt-Israel accord, leaving Syria in the lurch. In his *New York Times* interview, Dayan differentiates an early deal with Egypt from any Israeli dealings with Syria. Making the dilemma worse for Assad are continued reports that Sadat is fully ready to concretize a separate deal with Israel, despite enormous internal opposition in Egypt to such a move.

Two crises are designed to deal this rotten Egypt-Israel deal in blood. One, in southern Lebanon, was signalled by Begin's comments, backed up by evaluations from such top Wall Street Israel controllers as Committee on the Present Danger Executive Member Rita Hauser this week that "Begin will probably move in force in the south to upend the Syria-PLO alliance." The

French press is reporting a renewed Israeli naval blockade of southern Lebanese ports, and several sources have reported new Israeli incursions, with tanks included, into southern Lebanese towns.

The second key crisis is between Egypt and Libya. Last weekend, Egyptian President Sadat toured the "western front" border with Libya and promised Egyptian military units that Egypt would "hit (Libyan leader) Qaddafi with a thousand times more power than the last time." This tour was followed up days later with a staged hijacking of a French jet bound for Cairo that the Egyptian government immediately pinned on the Libyans; resolute Libyan government refusal to allow the jet to land in Libya, however, stopped this projected "Entebbe" operation cold.

London's *Daily Telegraph* Aug. 9 linked the renewal of Egyptian-Libyan tensions to Sadat's "determination to see the Vance diplomatic mission succeed."

Each of these crises threatens to trigger a massive Soviet response, with incalculable consequences for

world peace. Soviet Chief of Staff Ogarkov is due in days to arrive in Algeria, Libya, and Syria, to promise Soviet backup for these U.S.-targetted regimes. The Soviets have also made it clear that they would regard any U.S. decimation operation against the PLO as a dire provocation.

Complicating the situation is the apparent indecision on the part of European governments. On Aug. 11, the French Foreign Ministry publicly denied persistent rumors that the French government would push for a rewording of 242; Israeli sources indicated that the French have come under intense pressure from Vance to back off from such an initiative.

According to an Arab diplomat in the U.S., Vance has "partly succeeded" in raising tensions in the Mideast with his trip, and the question of war or peace in the region will depend on "the will of Europe's Big Four — West Germany, Italy, France, and Great Britain — to act independent from the U.S." But, "so far," he added, "we haven't seen that will express itself."

Brzezinski Tricks Begin Into Breakaway Ally Set-Up

The following statement was issued on Aug. 1 by Lyndon H. LaRouche, U.S. Labor Party Chairman and Presidential candidate.

Like every head of government who credulously negotiates in good faith with the Carter Administration, Israel's Prime Minister Menachem Begin has been had. The Carter Administration's games with the Israeli, Arab, and other relevant governments are now rapidly moving the Middle East in the direction of Henry Kissinger's longstanding gameplan for that region: regional war according to the Rand Corporation's "breakaway ally" scenario.

I have the strongest reasons to believe Begin's report that the Carter Administration had assured his government that the U.S. would not directly deal with the Palestine Liberation Organization (PLO). I do know that, immediately following Begin's arrival in Jerusalem following his USA trip, his government abruptly dropped a number of key options in favor of total commitment to collaboration with the Carter Administration.

Also crucial, if easily overlooked, is the Syrian government's recently launched Inquisition against the tenth century Islamic genius, Ibn Sina. The Israeli government will correctly read that signal in more or less the exact same way in which I do: *jihad!* I also know the origin of that new Inquisition against Arab humanism, at an address within the USA. In effect, both the Syrian and Israeli governments are being trapped into the role of Carter Administration agents, who will now fight one another (according to the Rand Corporation scenario) for the greater riches of Kuhn-Loeb.

No one should be deceived by the Carter Administration's formal dealings with PLO representatives. One of the Carter Administration's included objectives for the overall operation is the total butchery of the PLO — with the complicity of Assad and Chamoun. To one who understands the Arab mind and the implications of Ibn Sina in that context, an Inquisition against Ibn Sina is an ideo-

logical deployment for butchery of the "Mawali"-tainted PLO! I know what the evil tradition of Al-Ghazali signifies in Arab politics. It was the cult of the reactionary Al-Ghazali that was decisive in destroying Arab civilization from within.

The primary objective of the "breakaway ally" scenario is massive destruction of Middle East Arab oil fields, to bring Western Europe and Japan to their knees before the Carter Administration and — more relevantly — the New York Council on Foreign Relations, for which the Carter Administration is merely a tool. I concede that some blockheads among Arabs, Europeans and others stoutly insist that the United States would never do such a thing. The trouble with those blockheads is that they refuse to face the fact that that Carter Administration does not represent the interests of the United States, but a gang of desperate moral imbeciles in lower Manhattan, who are already committed to an energy program that would send the world back to the "Middle Ages" as international terrorist planner and controller Vance proposes. These moral imbeciles, the masters of the current wave of environmentalist terrorism, care nothing to the world, except their determination to rule at all costs.

The complication in the present situation is the Israelis themselves. Prior to his trip to Washington and Manhattan, Prime Minister Begin represented a positive element in world politics, a force which had thrown out the Manhattan-controlled Mapai and was attempting to find a truly independent role for Israel in terms of direct negotiation with Arabs. A reported 900 millions pounds bookkeeping adjustment of the Egyptian debt occurred in time to cause Sadat to break off peace negotiations with Moscow and to launch the attack on Libya on orders from the Carter Administration. The Soviets and most Europeans hesitated to sharply confront Carter on this atrocity, with the result that Begin's peace effort was scrambled, and Begin was thrown to the wolves of Washington and Manhattan to scrape up as much as he

might manage pretty much without serious backing or assistance from those in whose vital interest it was to enhance Begin's capability of maintaining independence.

By trapping the Israeli government in this situation, a hopeful situation of some weeks ago has now been transformed into an incendiary mess. The Israelis have been trapped onto the Rand Corporation "breakaway ally" course, and this circumstance has evoked the so-called "Masada complex," the "flight forward" psychosis which has been a growing potentiality within Israeli politics. Unless this is stopped, Israel will be impelled upon a lunatic-suicidal course from which no influence of reason could dissuade it. This must be turned around immediately, or Israelis will be mobilizing to die in honor of the Polish Ghetto uprising.

Soviet Implications

As the *New York Times* and *International Herald-Tribune* are currently gloating, following the Dartmouth Conference at Riga, Rockefeller agent-of-influence Georgii Arbatov's patrons in the Soviet Politburo have surfaced to shift the course of Soviet policy temporarily in a retrograde direction. To all practical intents, those backers of the current pro-Rockefeller shift are variously witting or unwittingly agents of lower Manhattan financial-political interests.

Evidently, the *New York Times* (mouthpiece of the New York Council on Foreign Relations) has learned nothing from the experience of this past spring. The strong "Oblomovist" tendency around the Soviet leadership makes it susceptible to certain types of Mutt-and-Jeff psychological warfare tricks. However, that same well-documented and much-discussed psychological flaw in the Soviet leadership has a complementary side. Once someone threatens to directly set fire to Oblomov's bed or rape "Mother Russia," the duped Politburo peasant mentality explodes in towering rage.

The most stupid, in fact suicidal, game to play at this juncture is to attempt to resurrect Henry Kissinger's games with the Soviet Oblomovist tendency. The best chance of peace is to ensure that the Soviet leadership is rationally and correctly exploring genuine pathways to world peace. The Soviet forces which are rational to that effect are the so-called "hardliners" and the Soviet military. By attempting to restore the influence of Rockefeller agent Georgii Arbatov and his backers in the

Politburo, and thus subjecting the Soviets to the gross disinformation about the OECD countries which pathological liar Arbatov and his cronies represent, the situation is being set up in which the Soviets will reject workable alternatives for preventing war, and will simply explode in total-war rage at the point of the thermonuclear showdown being projected by the New York Council on Foreign Relations.

The lunatics in Manhattan refuse to face the fact that the Soviet economy is not in trouble, that the Soviets are not about to run out of oil reserves, and that no matter how many articles Rockefeller's Georgii Arbatov sneaks into even *Red Star*, any effort to bluff the Soviets, to gain a strategic position to their decisive disadvantage means total war! Just to make the point all the clearer, the NATO countries are being plunged toward total war under circumstances in which NATO is not qualified to fight that sort of war, but only the conventional, semi-conventional or "theater-limited" scenarios which the Warsaw Pact forces will either avoid or react to immediately with total war.

Is there any general officer in Europe so incompetent that he would wish to fight a total war under the leadership of Zbigniew Brzezinski and General Alexander Haig, former Kissinger stooge and White House office-boy?

This is the time for sane forces with state power to take dramatic action to put the world on a sane course. We are all running out of minutes — I and others on Zbigniew Brzezinski's Baader-Meinhof hitlist are not the only ones in this category. The majority of us in the OECD countries, centered around the industrialists and trade unionists, are absolutely committed to industrial progress and nuclear power. Let us then act now to put these policies into motion and steamroller those liberal and "left" imbeciles who are wailing and shrieking — and committing terrorist crimes in opposition to the absolute welfare of humanity. Many of us are attempting to move in the right direction, but there is not sufficient time to develop these alternatives at the pace now considered sufficient.

For diplomatic reasons, I shall not publicize the measures needed to stop the Middle East war. However, I am available to any responsible, suitable person to state my evaluations. This damned war can be stopped, but for once some key people will have to approach the matter finally in my way — nothing else is going to succeed.

Ethiopia Gets OAU Backing

Ethiopia emerged from the Organization of African Unity (OAU) meeting in Libreville, Gabon this past week with the full backing of the OAU in its dispute with Somali-speaking rebels who are trying to occupy the Ogaden region of Ethiopia and make it part of Somalia. The OAU commission refused to admit the rebel "Western Somali Liberation Front" (WSLF) to the meeting, and refused to recognize the WSLF as a legitimate liberation front. The WSLF has been receiving small arms covertly from the U.S., as well as aid and support from Somalia.

The OAU's stand, which caused a walkout of the Somali delegation, isolates Somalia, which is being manipulated by Carter to provoke a full-scale war on the Horn of Africa. With widespread African backing, Ethiopia is in a stronger position to launch an offensive to take back the key towns in the Ogaden. The Ethiopian Foreign Minister has said that Ethiopia could crush the rebels, but prefers to resolve the crisis through other means. The Somali ambassador to Kenya, Hussein Ali Dualeh has charged that a "foreign" force of 5,000-9,000 troops (from Cuba, he implied) were going to arrive in Ethiopia in the near future. Ethiopia's ambassador to Kenya, Mengiste Deste, meanwhile placed the blame for the crisis on Britain and the U.S. and their pledges of arms aid to Somalia. "It was a deplorable decision which will escalate the war and turn the entire Horn of Africa into a big battlefield," he said.

A peace offensive by the Soviets has contributed to the isolation of the Somalis. Following a trip to Moscow by the Foreign and Defense Ministers of South Yemen, the

South Yemen president went to Saudi Arabia to meet with King Khalid. The Saudis had been behind the Somali venture, and had reportedly offered to bankroll Somali purchases of military equipment from the West.

The problems of the Ethiopian government in Eritrea and northern Ethiopia have notably lessened in the past weeks, and this is also in part due to the Soviet pressure on the Saudis. On Aug. 5 Sudan President Nimeiry went to Saudi Arabia to confer with King Khalid, and although Nimeiry has been one of the key backers of the Eritrean rebels and other anti-government operations in Ethiopia, he has over the past few months altered his position from calling for the complete independence of Eritrea to calling for self-determination. Ethiopian Head of State Mengistu Haile Mariam has already offered the Eritreans autonomy within a federal Ethiopia.

The key to Nimeiry's turnabout on the Eritrea question is the resolution of his differences with the right-wing Muslim Ansar sect headed by Sadik al Mahdi, the main element in the internal opposition to Nimeiry, and who had been receiving aid from the Ethiopians. As a result of the resolution of their differences, Nimeiry has already amnestied over 400 political prisoners, including members of the Sudanese Communist Party, the other element of the anti-Nimeiry opposition.

The reconciliation between Nimeiry and Mahdi is widely reported as having been facilitated by the Saudis and Kuwaitis, and takes pressure off of Mengistu in Ethiopia, leaving the problem in the Ogaden with Somalia as his most immediate concern.

Scramble For White House

Lancegate Starts Dump-Carter Drive

NEW YORK, Aug. 14 (NSIPS) — The scope and the rapid elevation to national prominence of the Lance scandal is already posing certain serious questions about the very viability of the Carter Administration. Only naive persons would attach any significance to the particular features of the crooked activities of the President's close personal friend and probable accomplice, Office of Management and the Budget Director Bert Lance. After all, there has been enough evidence in the public domain to watergate the Carter Administration on any number of issues, including possibly the way Jimmy ties his shoelaces.

The significance of the Lance scandal lies in the breadth and depth of political forces that have been mobilized to get Lance out of office, as a means of either dumping Carter, or at least significantly reining in his policies.

Jimmy Carter is of course personally implicated in Bert Lance's swindles. Beyond his personal involvement in swinging the unethical deal between Lance's First National Bank of Georgia, First National of Chicago and Manufacturer's Hanover, the further question that remains centers on the personal loan that Carter received from Lance, which amounts not to a mere \$700,000 as most popular versions claim, but a full \$4.2 million — a virtual commitment of First National of Georgia's capital structure to a single loan.

The case can thus be made that if this loan is not investigated by the Comptroller of the Currency, then Mr. Heiman, despite the fact that he is going after Bert Lance, is still guilty of covering up for illegal transactions undertaken for the personal monetary gain of the President of the United States.

But to ask why Mr. Heiman, hand-picked by Nelson Rockefeller for the post of Comptroller, is going after Mr. Lance but not Mr. Carter would be a politically misguided question. The substance of what is going on in the country as a result of the eruption of the Lance and related scandals is not "who is doing what to whom," nor the particular odium of Carter-style corruption and hypocrisy. What is going on is a veritable scramble to destroy Jimmy Carter politically.

Inside White House Too

The forces that are joining the scramble include not only every opposition grouping inside and outside Congress, the press and business, but also prominent members of the Carter Administration itself. It is known for instance that Secretary of the Treasury Blumenthal, in behind the scenes contact with his predecessor William Simon, is pushing for escalation of the scandal against Lance. Knowledgeable circles in the Democratic

Party report that White House advisor Hamilton Jordan has willingly assumed the rôle of "Deep Throat" attempting to retarget the Lance scandal against the President himself. And Air Force Academy expellee Jody Powell, now White House mouthpiece, is reported negotiating the sale of his "neutrality" to various quarters.

The disarray inside the White House is exemplary of two things: first, the force with which the nation has decided to repudiate Jimmy Carter and his policies; second, how honor among thieves really works.

For the nation as a whole, especially those patriotic forces which gave the initial impetus for the watergating of the Carter Administration, the issue of primary concern at the present time ought to remain the fact that the threat of a Carter Administration collapse has amplified the dangers of a catastrophic foreign policy adventure which have existed ever since Carter's elevation to power deprived this country of the exercise of political leadership at the White House level.

The main source of this increased danger is Nelson Rockefeller; more specifically, Nelson Rockefeller under the advise of Henry Kissinger. Evidence suggests that Nelson and Henry, sometime in the course of July, 1977, had decided to apply controlled pressure on the Carter Administration in order to curb the policy influence of the "Atlanta Mafia" and the New York investment bank, Rothschild-connected components of the Administration. Kissinger's public appearances during that month, a number of commissioned articles by Cyrus Sulzberger in the New York Times, and Time magazine's latest attacks on Carter's foreign policy were a part of an intended *contained* campaign targeting the White House.

By the second week of August the contained character of this operation completely collapsed as a result of developments among conservative political, intelligence and military layers. These developments were related to a heightened perception among these strata of the threat to national security that the Carter policies represent. One might justifiably make the assumption that the brutal assassination of West German banker Juergen Ponto by Carter-controlled terrorists assisted many responsible individuals to commit themselves to the fight to get Carter.

The climate thus created in and around the Republican National Committee, the press, and in Congress made it impossible for the Kissinger-Rockefeller gameplan to retain its "containment" feature. At that point, the massive free-for-all scramble to go after Carter got underway across the country.

Mondale Option: Everybody Loses

Who will emerge on top of the scramble? An imminent, not-so-hypothetical early resignation of Jimmy Carter brings to the fore the odious "Mondale option." This option could only work if Rockefeller and Kissinger, utilizing the full muscle of the Rockefeller family, emerged on top of the present scramble and then opted to throw its weight to strike a deal with Fritz Mondale. Such a development was characterized today by U.S. Labor Party Chairman Lyndon LaRouche, increasingly acknowledged as the leader of the anti-Rockefeller "Whig" opposition to Carter, as "If Mondale wins, everybody loses." In fact, a Mondale presidency would bring the country back to square one, with another Rockefeller-controlled White House but with both the new occupant and Nelson Rockefeller in a much more vulnerable position.

The upshot of such a highly unstable combination would be either a thermonuclear disaster, or a full-scale constitutional confrontation to annul the legitimacy of the present Democratic Party Administration altogether.

Thus, the leading Whig forces in industry, labor, government and so forth who are now moving against Carter-Lance because of Carter's disastrous monetary, energy, economic and foreign policies, are confronted with the following choices. Either the offensive against Carter is stepped up all the way to a constitutional

resolution on the basis of the U.S. Labor Party's legislative alternatives on energy, economic and foreign policy — or Rockefeller is allowed to gain the upper hand. In the second case, the efforts being expended at this time will have to be repeated under more dangerous circumstances in the near future.

The third possibility of a Carter return to stability is virtually non-existent.

A Whig Presidency

The present national crisis around the corruption scandals in the White House is forcing the country to face the issue of a Whig Presidency squarely in the face. The only effective way to clean up the present mess by means provided by the United States Constitution involves an effort to reorient those political forces currently in the scramble to "get Carter," around the fundamental policy issues that inspired the crisis in the first place.

The only suitable Whig personality to be given the power to clean out the mess would be either the U.S. Labor Party's LaRouche, or a person selected for the purpose, who would be designed to collaborate with LaRouche and his associates primarily on the key issues of monetary reorganization; the establishment of a Third National Bank; negotiation of a new world monetary system based on gold; large-scale nuclear energy development; and the return to a high-skill, high-technology full employment economy.

U.S. Press Assails Lance, Carter Connections

New York Times, Aug. 11, column by William Safire:

"White House strategy is to contain the scandal by pretending the matter is purely Mr. Lance's problem, and that Mr. Carter knows nothing and is doing nothing. The strategy depends on the widely held hope that the President himself is in no way 'tainted'.

"But the follow-up questions remain: What was Jimmy Carter doing in the office of Lew Jenkins, in charge of correspondent banking for Manufacturers Hanover, on June 19, 1975? Did he know that Bert Lance, whom he had accompanied to the bank, had just negotiated a personal loan for \$2.7 million? Who else in that bank did he meet and what did he discuss? Has any government investigator asked the President about his presence with lender and borrower near the onset of a loan that might be corrupt?...

"One agency of government frozen into inaction is the political Department of Justice. Attorney General Griffin Bell has declared himself out, and the head of the Criminal Division — Ben Civiletti, the Baltimore political fund-raiser put in by Lance crony Charles Kirbo — refuses to lift a finger pending the Heimann report...

"...let me make this prediction: belatedly aroused, the Comptroller, the S.E.C., Senator Proxmire, and the press will all do their duty. Mr. Lance will resign and try to take the scandal out the door, while Mr. Carter professes to be above it all.

"But unless a special prosecutor is appointed...the Carter-Kirbo-Bell-Lance cabal will cut off the investigation before it gets to the top."

Washington Star, Aug. 10, column by Jack W. Germond and Jules Witcover:

"At the White House they are beginning to realize that the Bert Lance case is not going to just go away. What isn't clear, however, is whether they yet understand that President Carter himself is finally going to have to make and justify a decision on whether his budget director's effectiveness has been compromised.

"...The implication...is that the finding by the comptroller will settle the whole question. But what that overlooks is the fact that it was Jimmy Carter, not the comptroller of the currency, who was elected to make these decisions about who should hold policymaking positions in the Administration and what standards they should be required to meet.

"And more to the point, it was Jimmy Carter, not the comptroller of the currency, who set such a standard of morality as a candidate for the presidency last year and as a president-elect forming a new government....So only Jimmy Carter, who has as much at stake here as Bert Lance, can answer the operative questions about the case...."

Washington Star, Aug. 11, by John Holusha:

"The proposed Senate investigation into the questions surrounding Budget Director Bert Lance's financial dealings was diverted, at least in part, because of ob-

jections from a freshman senator with strong links to a key Lance creditor.

"The creditor involved is Jake F. Butcher, a wheeler-dealer Tennessee banker for whom Lance opened some doors in official Washington. Lance owes \$433,466.87 to Butcher's bank.

"The Senator, James Sasser of Tennessee, was heavily supported by Butcher in the general election in which he unseated Republican William Brock. And, according to some published accounts, it was Butcher who directly or indirectly helped Sasser to get a critical \$100,000 loan to pull out in front of a crowded primary field.

"...When the disclosures about Lance's dealings began to surface, they centered on Lance's \$3.4 million loan from a Chicago bank and his request that Treasury Secretary W. Michael Blumenthal meet with Butcher and his brother, also a banker.

"The senior members of the Senate Government Affairs Committee evidently had agreed that an investigation was necessary when the panel met July 22.

"...Then Sasser objected. Lance's original plea that he be given an extension on the deadline to sell his National Bank of Georgia stock should be granted immediately, Sasser said, adding, 'I think we are doing him a disservice' by launching a probe.

"...Sasser was joined by Lance's home state senator, Sam Nunn of Georgia, and Republican John Danforth of Missouri, and the investigation was dropped...

"Lawyer Tom Bell, who managed Brock's losing campaign, said Butcher "raised a lot of money" for Sasser in the fall campaign...

"Butcher and his brother have taken a small inherited bank and parlayed it into a 13-bank, billion-dollar empire over the past 10 years...

"Like Lance, they have built their assets by borrowing money, the extent of which they refuse to disclose. Their private method of operation has avoided the controls of the Federal Reserve imposed on bank holding companies."

Washington Post, Aug. 12 article by George Lardner, Jr.

"In the late spring of 1975, the National Bank of Georgia under the newly installed leadership of Bert Lance granted loans totaling some \$250,000 to a North Georgia bank official named Bill L. (Bill Lee) Campbell...

"Less than three months later, Campbell was fired at a special meeting of Calhoun First National's board of directors for embezzling an estimated \$1 million from the institution over a four-year period.

"'It was run like a piggy bank,' says Assistant U.S. Attorney Jeffrey Bogart of Atlanta. Bogart prosecuted Campbell last year and was in the process of investigating overdrafts on behalf of Lance himself when he was abruptly called off last Dec. 1 — two days before Lance's designation by President-elect Jimmy Carter as director of the Office of Management and Budget."

File 1976 Vote Fraud Complaints Against Carter — Mondale

The U.S. Labor Party legal staff has prepared the first series of complaints to the Federal Elections Commission concerning the violations of federal law committed by the Carter-Mondale 1976 electoral campaign. Documenting this series of complaints is a simple matter since the public record overflows with evidence of illicit behavior on the part of the Carter team.

Should the FEC refuse to answer these complaints, the law provides that the complainant may seek remedy in the courts 90 days after filing the complaint. The remedy in this case would be a writ of mandamus compelling the FEC to conduct an investigation. Thus the FEC, which has been deployed by the Carter Administration to harass its political enemies may, by court order, be forced to pursue a good-faith investigation against Carter and his cohorts.

If competently pursued, these and additional complaints to be filed by the USLP would reveal the massive vote fraud in the 1976 election that led to the illegal installation of the Carter-Mondale Administration. Far bigger than the current scandal surrounding irregularities in the financial operations of Budget Director Bert Lance, such revelations would provide the basis for the immediate impeachment of Jimmy Carter and Walter Mondale, and the dismantling of the Trilateral Commission conspiracy which put them in office. Excerpts from the complaints follow.

Pursuant to 2 USC Section 437g(1) (a), I hereby allege that the following violations of the federal election laws were committed by the 1976 Democratic Presidential Campaign Committee:

The Kentucky United Labor Committee for Carter-Mondale, one of 15 Democratic campaign committees set up independently of the 1976 Democratic Presidential Campaign Committee, worked in consultation with Mr. Dale Sights to plan out a mid-October 1976 rally for the Carter-Mondale ticket. At the time of such consultation, Mr. Sights was the state chairman of the 1976 Democratic Presidential Campaign Committee in Kentucky. He has admitted publicly that he met with speakers for the rally. Mr. Sights also attended the rally as did Mr. Robert Strauss, the former Chairman of the Democratic Party. This collaboration between the main Carter-Mondale organization and an independent committee is in violation of 2 USC Section 434(b) (13) (b). This kind of collaboration destroys the meaning of "independent expenditure" as defined in 2 USC Section 431 (p).

* * *

Mr. Louis Lee, currently under investigation for embezzling \$113,000 from the account of Mayor Coleman Young, used some if not all of this money in connection

with the Jimmy Carter Presidential campaign. One day before the Michigan primary for President in May of last year, Mr. Lee made out eight money orders using money he allegedly embezzled. Six of these money orders were made out to the Committee for Jimmy Carter under names other than his own. The total amount contributed to the Carter campaign in this manner was \$5,400. Additionally Mr. Lee made out a \$1,000 money order to Mr. Gene Williamson and an \$1,100 money order to Mr. James Ellsberry. The money order to Ellsberry takes on an added significance since Mr. Lee also gave \$20,000 in embezzled monies to JE Consulting. According to political insiders cited by press sources, the JE of this enterprise stands for James Ellsberry. Mr. Ellsberry was reportedly working with the 1976 Democratic Presidential Campaign Committee but I am not sure in what capacity.

...makes the treasurer of the Michigan Committee for Jimmy Carter, Mr. Larry Deitch, possibly liable in this matter. The FEC should conduct an immediate investigation of this matter to determine the extent of these violations.

* * *

The 1976 Democratic Presidential Campaign Committee lists in their campaign report (October 22-November 22, 1976) a "Get Out the Vote" payment of \$99.63 and a miscellaneous office expense payment of \$160.00 to Jack Gold Results Unlimited of 54 East 181st Street in New York City (Bronx). A check of this location by field investigators found no such enterprise nor was any Jack Gold Results Unlimited listed in the Bronx telephone book. This leaves a real doubt as to the validity of these payments and therefore the 1976 Democratic Presidential Campaign Committee is liable for a violation of 26 USC Section 9012 (d) (1) (A) which makes it illegal to knowingly furnish "false, fictitious, or fraudulent evidence, books, or information to the Commission."

* * *

The operating expenditures of the 1976 Democratic Presidential Campaign Committee also lists:

...Trust Co. Bank Get Out the Vote 10-27 \$228,800.00

Representatives of this bank have affirmed that this money is a withdrawal from the Carter campaign account. Without further itemization, this substantial expenditure is a violation of 2 USC Section 434 (b) (9) which states that the identification of each person who receives over \$100 from a campaign committee must be made in the campaign report.

Prior to the June 1976 Presidential primary in California, at least \$5,000 was given to various Bay Area ministers to endorse Jimmy Carter for President. This money was initially outlayed to Reverend Calvin Jones of the Hunters Point Bayview Baptist Fellowship, Rev. G. L. Bedford of the San Francisco Ministerial Conference, and the Richmond Interdenominational Alliance (each received \$1,000) and to Reverend J. L. Richard of Oakland (\$2,000). It is reported that this money was subsequently parcelled out to other ministers for their endorsement of Jimmy Carter. Such activity is in violation of 18 USC Sections 599 and 600 which prohibit promises of appointment and employment in exchange for support of a particular candidate.

* * *

Robert Munoz of the SERA Drug Program New York City (Bronx), Charles McNeill of the Youth Action Cen-

ter, New York City (Brooklyn), and Mrs. Dorothy Deschamps of the Brownsville Community Neighborhood Action Center (Brooklyn) have admitted that they used federal poverty money for voter registration activity. This was done in consultation with the 1976 Democratic Presidential Campaign Committee. To use federal poverty money for election activity violates 2 USC Section 452 and is therefore patently illegal.

* * *

These matters constitute serious violations of federal election laws. The Federal Elections Commission should conduct an immediate investigation of these matters to determine the extent of these violations.

(Signed)

Felice Merritt Gelman

Humphrey Leads Carter Forced Work Campaign

Sen. Hubert H. Humphrey, his supporters in the AFL-CIO, and his poverty apparatus are organizing a "Full Employment Week" to replace Labor Day this year. The purpose of "Full Employment Week" is to stage a display of "grassroots" support for the Carter Administration's far-reaching package of labor-intensive, forced work programs to aid Humphrey and Co. in their efforts to whip the package through Congress before American labor and industry realize what's up.

Refusing to take the steps necessary to revive U.S. capital spending and thus generate an upward trend in skilled manufacturing categories as the solution to the critical employment problem, Humphrey and Co. are instead promoting a bevy of bills which not only force unskilled workers into menial slave jobs, but attempt as well to foist this slavery onto skilled workers who are unemployed (almost completely junking the unemployment benefits system that labor fought for years to gain) and — not content with that — to force additional layoffs in industry to further augment the pool of Humphrey's potential victims.

This is the ugly reality behind Humphrey's full employment "week of joy."

Carter's Slave Labor "Triad"

The apparatus for creating a huge pool of unemployed workers who will have no choice but to participate in Carter's work programs, is already in place in the form of the recently created Energy Department. Energy Secretary James Schlesinger will use his authority to declare "energy emergencies" in order to shut down industry and throw millions of workers out of work. Oklahoma governor Bowen has charged that federal orders to Oklahoma firms to cease using natural gas already threaten to force 21 manufacturers to shut down, and this is only the tip of the iceberg. Indicating how he plans to wield his vast discretionary power, Schlesinger told Sen. Robert Packwood to sit down and be quiet when Packwood pointed out this week that a government report flatly contradicted his claims that the Carter program provides incentives for increased oil production. Schlesinger abruptly dismissed the report as the work of "potheads."

Schlesinger is already planning a "grassroots" organizing drive, parallel to the "full employment" campaign, to "educate" the public on the "need to conserve energy." One of the programs, headed by Carter crony Greg Schneiders, is geared to organizing youth groups such as the Boy Scouts to voluntarily insulate homes and to do "energy audits" in their neighbors' houses. Youth already participating in Carter's Youth Conservation Corps will do similar "energy-saving" tasks. A director

for the public brainwashing job is provided for in the Energy Department Charter under the title of Assistant Secretary of External Affairs. To get the campaign off the ground, President Carter himself will kick off the campaign officially in September.

The second arm of the fascist apparatus for forced labor is Carter's "welfare reform" package. After calling on Congress on August 6 to "totally scrap our existing welfare system," Carter proposed a new welfare plan which will force all able bodied men and women on welfare and those receiving extended unemployment benefits into public works jobs or their equivalent in the private sector. The penalty for a recipient's non-compliance, no matter how low the wage, is immediate cutoff from benefits. As Carter noted, the program will reduce the number of recipients by "as much as 50%."

Like the Energy Department, the welfare reform, if enacted, will create a large pool of scab laborers who will be used to force down the wages of all U.S. workers. As an estimated two to four million skilled workers are laid off from industries either bankrupted or forced to shut down because of "energy emergencies" under the Carter energy bill, they will be funneled into welfare and unemployment programs and then forcibly recycled back into the workforce at starvation wage levels.

The welfare reform masterplan centralizes various work benefit and income support programs — Aid to Families with Dependent Children (AFDC), Supplementary Security Income, and the food stamp program — into a single program with a single grant.

The term able-bodied is never defined, and the only exception to the forced work provision is, in the case of AFDC, a single parent with children six or younger. When a parent refuses work, he or she is cut off, but benefits may continue for the children.

Federal reimbursements to state and city governments will increase approximately by 10%, an inducement for local leaders to accept the forced labor without protest. New York City's gullible Mayor Abe Beame led the way with an enthusiastic endorsement of the Carter plan.

Only 1.4 million public works jobs were offered by the Administration, indicating that to meet the 50 percent quota for reducing the welfare rolls, private employers will have their pick of forced laborers who have been thrown off welfare or unemployment compensation.

Although Carter does not expect the entire welfare proposal to become fully operational until 1980, particularly the program providing financial relief to cities and states, he expects to implement the forced labor provisions immediately.

U.S. workers who heard Carter's pious expressions of

sympathy for the sufferings of those on unemployment during last year's campaign probably never dreamed that he would move to reduce that suffering by reducing unemployment benefits.

Yet Carter is proposing just that, the third element in his "triad" of strategies to create an army of unemployed for his slave programs. While Carter's top labor advisor, Eli Ginzburg, is now advocating the idea of cutting off all benefits after only 15 weeks (federally funded extended benefits now extend to 52 weeks in some states — already a reduction from the 65 weeks available under the Ford Administration), the Administration is moving a bit more slowly. In addition to forcing those on the extended benefits into public works jobs, the Administration plans to raise the 4.5 percent unemployment rate "trigger point" which determines which areas are eligible for federal extended benefits, the Administration thus cutting off benefits for most of the country's workers after they have been on the rolls 39 weeks.

A Labor Department spokesman confirmed last week that the money saved from the reduced extended benefit program will be funneled into the forced work jobs programs for unemployed workers. Based on the average length of time over which workers were receiving benefits six months ago, 65 weeks, the *Wall Street Journal* recently pointed out, the elimination of extended unemployment benefits will mean a 60 percent reduction in the overall benefits available to the unemployed.

With its efforts to create a huge manpower pool of desperate ex-welfare recipients and unemployed workers well underway, the Administration plans Humphrey's "Full Employment Week" to be a big affair. Carter himself is scheduled to appear for a demonstration at Philadelphia's Independence Hall with Coretta King and a 2,000 man organizing meeting is reportedly planning for Aug. 15.

Humphrey announced to the Senate last week that his congressional Joint Economic Committee will hold hearings in his old stomping grounds in Minneapolis on Sept. 5 on the Humphrey-Hawkins bill, and declared that the "celebration" will include "demonstrations, rallies, 24-hour vigils, and picnics" in 50 cities. Included in a long list of participating organizations are the Urban League, the National Council of Churches, Environmentalists for Full Employment, and most of the country's largest labor unions. Murry Findley, President of the Amalgamated Clothing Workers co-chairs the central planning body, the Full Employment Act Action council with Coretta King. Jacob Clayman, the Secretary Treasurer of the Industrial Union Department of the AFL-CIO, co-chairs the Council's Full Employment Task Force with King. Legislative Representative for the United Auto Workers Jerry Tucker and United Steelworkers Vice-President Leon Lynch are also present at every planning meeting.

In addition to the participation of every variety of environmentalist, blacks, and women's groups, Jacob Clayton has arranged that 100 full-time organizers from the United Auto Workers, United Steel Workers, Amalgamated Clothing Workers, and the International Association of Machinists organize "broad based" community support on union time.

Blacks are slated to be most immediately victimized by "Full Employment Week" since the Full Employment Council has said that "we could have riots like the 1960s" if the jobs program is not acted on, and singled out 25 Congressmen from "largely black and poverty districts" for special attention.

The success of the Humphrey-Carter fascist organizing drive depends on whether the "full employment" coalition can mobilize real labor support and thus cow Congress into passing such measures as the Carter "welfare reform." There are indications that honest unionists and elected officials are letting themselves be duped.

With the partial exception of the building trades, every local union contacted by reporters in Philadelphia on Wednesday — including the Teamsters — indicated "150 percent support" for "Full Employment Week." "We need jobs — any jobs" was a typical response.

At the same time, the Administration has positioned itself to ram the welfare program through Congress. The Carter-Mondale clique in Congress has responded with effusive praise to the proposed welfare reform, with Sen. Jacob Javits praising the forced work provisions as "right on target" and his New York colleague Sen. Daniel Moynihan — the chairman of Humphrey's "Full Employment Week" — hailing the hastily slapped together Carter package as "superbly crafted."

While Carter's HEW Secretary Joseph Califano announced on nationwide television that "Congress is ready" to pass the first real welfare reform, House Speaker Tip O'Neill moved quickly to set up a new ad hoc "supercommittee" on welfare stacked with Humphrey associates headed by Rep. James C. Corman (D-Calif.) to usher it through. Corman said he expects the entire package to reach three key House committees before Christmas.

The imbecilic preliminary response to the welfare package delivered by the potential opposition to Carter's latest deindustrialization bill indicates that they have learned nothing from their rout on the Carter energy package. The American Conservative Union, chaired by Republican Congressman Phil Crane announced its "opposition" to the Carter welfare program on the grounds that it is "too generous," while Rep. John Anderson, third ranking House GOPer, declared himself in favor of "the broad concept" of the Carter plan.

Energy Backlash

Humphrey and Carter are not home free, however, as evidenced by a mounting backlash against Carter's energy legislation, which must still be voted on by the Senate this fall. At this week's midwest governors' conference, the governors voted 11-1 to condemn the program as dangerous, on the grounds that it does not provide for means to increase energy production. At an American Bar Association conference in Chicago, representatives of the American Petroleum Institute and several corporations bitterly criticized the package; and a former head of the Federal Energy Agency under the Ford Administration charged that the Carter policy was based on a faulty concept of man as weak and helpless, unable to master nature in the service of human progress.

Conservatives Vote Yes On Whig Coalition

MEMPHIS, TENN., Aug. 7 — A national conference of Independent Conservatives here this weekend voted unanimously to form "A new united umbrella party for conservatives of all parties," and in order to accomplish this "to support and participate in a National Coalition of Independents on Issues headed by Col. Thomas McCrary," chairman of the American Independent Party of Georgia whose call for a new Whig coalition in the USA was printed recently in *New Solidarity*. With its vote this weekend, the conference thus succeeded in preparing the independent movement for the task of forming a political counterpole to the Carter Administration's policy of nuclear war and fascism at home.

Participation in Col. McCrary's Coalition of Independents on Issues was the only resolution to be voted up in the two-day meeting. Attended by 150-200 nationally known conservative activists, the conference drew strong representation from the American Independent Party in Wisconsin, Indiana, and across the country: the John Birch Society, the American Party; the Independent Americans of the U.S. (a delegation of Mormons from Utah and Montana); and other independent conservatives from 30 states.

Prior to the floor vote today, McCrary and two U.S. Labor Party representatives at the conference proposed ten task forces on issues in workshops and informal meetings. These include task forces on: 1) Fair Elections 2) A Balanced Energy Program for the U.S., including nuclear fusion and fission development; in the words of Col. McCrary, "to stop the fossil fuel conservation that will throw us back into the coal age," 3) A Committee on the monetary breakdown, which will consider the U.S. Labor Party's proposal for a Third National Bank, 4) A task force on the Extralegal Acts of the Carter Administration against its opposition, including terrorism 5) Bureaucratic Despotism, typified by the Federal Elections Commission's attempts to harass and tie up the Carter Administration's opponents, 6) A Committee on Drugs and Crime, 7) A Committee on Foreign Policy, to keep the U.S. out of conflicts not in this nation's self-interest.

Prefacing his discussion of the ten task forces, McCrary referenced the political conjuncture in which these would function: "The bankruptcy of the major financial institutions headquartered in New York City, is forcing the breakdown of the International Monetary system. It is urgent that the following issues be under the leadership of the Coalition of Independents on issues for the good of the country. The Carter Administration is prepared to oversee the annihilation of the U.S., and the enforced bankruptcy of our European allies rather than break with the Manhattan banks."

Each committee will now release a more detailed statement of its aim and activities and continue to organize individuals into working groups on these

issues.

From their two days of intensive one-on-one and small group meetings, Col. McCrary and the Labor Party delegation at the conference report that conservatives are open to making alliances with the labor movement, and the Coalition for Independents on Issues will seek trade-union participation on the Coalition. The Coalition is seen by McCrary as the vehicle for the collaboration of Democrats, Republicans and the Labor Party, as well as all independent conservatives, the labor movement, and industrialists.

LaRouche Proposal The Keystone

The most significant step taken in Memphis was the establishment of a committee to consider a replacement for the current bankrupt dollar monetary system. Without a strong counterpole to Jimmy Carter on this question, the United States will be left in Rockefeller's grip as Europe moves towards a new gold-backed monetary system. The proposal initiated by U.S. Labor Party chairman LaRouche for an International Development Bank and a Third National Bank for the U.S. in the tradition of Alexander Hamilton calls for specific measures to return the U.S. and the world monetary system to the American System, which emphasizes the development of industrial production and technology as the basis of financial credit.

Among the conservatives in attendance, reaction to LaRouche and the Labor Party was near 100 percent acceptance of LaRouche as a bona fide Whig spokesman and a towering intellectual force in the conservative movement. Many delegates were particularly anxious to discuss the meaning of the delinking of the dollar and the British pound, for example. Many delegates too had already read and discussed U.S. Labor Party literature, particularly the *Political Economy of the American Revolution* and the proposal for a Third National Bank of the U.S. Indicative of the level of discussion, one leading Midwest AIP delegate called for labor-industry alliances, while a Southern delegate argued along with McCrary that a counterpole to Carter is exactly what is needed in the U.S. Another Midwest delegate urged the delegates to name a new president of the U.S. until Carter could be politically removed.

In contrast to the intensive back room discussions which the U.S. Labor Party and McCrary participated in continuously, the convention itself was organized as a parade of speakers — with 40 speakers in two days including Rep. Larry McDonald (D-Ga) — with no scheduled floor debates on policy. At the final session this morning, the body demanded open political reports of workshops. McCrary's proposal that the conference participate in and support the Coalition of Independents on Issues was passed as the last item on the agenda.

Turner Lies To The Gullible: Soviet Economy Will Collapse

The Carter Administration's new intelligence czar Stansfield Turner has just released a report on the state of the Soviet economy. Taking off from an early 1977 CIA prediction that Soviet oil production will peak and fall off within the decade, the new document paints a colorful picture of industrial collapse, popular unrest, and a soon-to-come younger Soviet leadership accepting Western demands for "profit-sharing, equity ownership and on site managerial control." Turner's report brazenly ignores the opinion of numerous experts, including some consulted in drawing up the report!

Turner jumped the gun by a day on the report's official release, and rattled off the new fabrications in an Aug. 5 speech to the Commonwealth Club in San Francisco.

Turner's aim was unmistakable, as he followed a Trilateral Commission and Council of Foreign Relations rule of thumb: when Western European, Japanese, and U.S. labor and industry opposition has to be smashed, scream about the Soviet threat. And scream Turner did, drawing a scenario of an oil-starved USSR grabbing for

Persian Gulf resources in the near future.

The biggest lie in the Turner packet is the one most dangerous to believe, namely that the upshot of Soviet economic difficulties will be a diversion of manpower and investments from the military sector of the economy. On the contrary, no matter how much belt-tightening is required, the USSR will not skimp on defense as long as the U.S. Administration presents a war danger in the Kremlin's view (in fact, the new Soviet Constitution institutionalizes this duty).

The danger of Turner's lies is that some Western Europeans and American labor and "Whig" forces, from ignorance or knee-jerk anti-communism, will believe them. If they do, and reject collaboration with the Soviets for massive technology transfer and the necessary new monetary arrangements to finance it, they will be effectively aiding the Administration's war-provocation policy — a policy which, if unchecked, will mean general war well before the fanciful "Soviet economic collapse" of the 1980s.

Turner Report Debunked From All Sides

The CIA's prediction that the USSR will run out of its oil surplus in a decade, trumpeted by Jimmy Carter's agency chief Stansfield Turner, has proved hard to swallow not only for avowed opponents of the Carter Administration's global energy hoax and deindustrialization. Even specialists who otherwise conspire in Carter's "scarce resources" propaganda think the Turner report is off the deep end.

Jeremy Russell, deputy head of the East Europe Division of Shell International and author of Energy as a Factor in Soviet Foreign Policy, published by Britain's Royal Institute of International Affairs, told the London Times July 27 the following about the CIA report, Prospects for Soviet Oil Production, on which Turner's new prediction of Soviet economic collapse was based:

A number of recent surveys by independent oil industry specialists based on a fairly detailed knowledge of the geological structure of the large sedimentary areas

encompassed by the Soviet Union, point to a conservative proven reserve of over 50 billion barrels (the Turner report says 35 billion barrels — ed.), a figure which could be significantly increased if more effective production techniques were used.... It is true that a lot of the most promising areas are situated in increasingly distant and inaccessible parts of the country with harsh geographic and climatic conditions, but the Russian oil industry has shown itself capable of meeting some daunting challenges in the past and expresses itself, today, confident of coping with them in the future.

Apart from the mainly technical considerations, the CIA report appears to ignore totally the Soviet Union's own assessment of its capabilities and it is extremely unlikely that these would be allowed to be so grossly inaccurate that the 1980 target of 620-640 million tons would be underfulfilled by 70-90 million tons. The oil industry has a fairly good record in meeting its five-year plan targets, although, admittedly, it failed to do so (by a small percentage) in 1975.

Furthermore, Russian planners and oil industry spokesmen emphasized that the Soviet Union is in no danger of becoming dependent upon imports, at least to the same extent as the industrialized capitalist countries.

At a Commerce Department Advisory Committee on

East-West Trade meeting held June 29, Marshall Goldman — the Harvard sovietologist who recently told a reporter he intends to flee to the Soviet Union to survive nuclear war — disputed the Turner report. According to the Commerce Department minutes of the session:

Dr. Goldman ... suggest(ed) that there may be differences within the CIA itself concerning the conclusions drawn from its research on the Soviet oil industry.... He pointed out that the CIA's April report ... merely mentioned the *possibility* that the USSR *may* become an oil importer. However, ... the CIA's once cautious appraisal suddenly becomes a firm prediction....

Dr. Goldman remarked that perhaps the CIA has underestimated the Soviets' ability to bring new oil discoveries on-line....

Dr. Goldman pointed out that since 1970 the CIA has substantially revised its estimates of the USSR's petroleum reserves: in 1975 the CIA estimated Soviet

reserves at 73 billion barrels; whereas the current estimate stands at 35 billion barrels.

One of the leading specialists in the United States on the Soviet oil industry, whose research was cited in the Turner report's estimates commented in an interview:

The flaw I see is the prediction of a firm date when the USSR is going to become dependent on imported oil. I think they (the CIA — ed.) were seduced by political goals on that.

The London Times *observed dryly, in an August 9 report:*

The CIA can hardly be viewed as an impartial source of information on Soviet developments, but its new report may nevertheless have an influence on the shaping by Carter and the Carter Administration of defense, foreign and trade policies.

The Real Soviet Oil Situation

The USSR Central Statistical Directorate reported July 23 that Soviet crude oil (including gas condensate) production in the first six months of this year was 268 million tons. A 5.0 percent increase over the same period last year, this figure is a shade behind the year's plan target, which is 550 million tons or 5.8 percent above 1976 production. Last year, the plan was met at just under 520 million tons of crude.

The 268 million tons through July of this year is approximately 10.7 million barrels per day — more than any other country in the world.

Another recent Soviet release, the Foreign Trade Statistical Yearbook for 1976, reported that Soviet crude exports to Western Europe rose 42 percent last year — not exactly a sign that the Soviets expect an oil crunch right around the corner. In part, the export surge occurred because the Soviets are still interested in earning convertible currency. But it also indicates that Moscow remains confident both that the five-year plan target will be hit and that their exporting fuel to Europe is a crucial component of broad raw materials-for-technology deals and energy integration of the continent.

Reemphasize Exploration

If there is a real problem in the Soviet oil industry, it is a fall in the ratio of exploration drilling to drilling for production. *Pravda* highlighted this problem in an Aug. 10 feature on geological work in the Tyumen Region (a west Siberian zone currently producing 4.4 million barrels per day), where the huge Samotlor field is nearing peak production. *Pravda* took to task the ministries responsible for housing construction, drilling equipment

and other necessities for geological exploration. Several years ago, reported the paper, some geological operations were shut down in Tyumen because the reserves already discovered were so huge — but that that was a mistake.

The Soviets are taking several steps to improve the reserves to production ratio, starting with the establishment of a special geological research institute for Tyumen. They have also gone on the market for \$1 billion of gas-lift equipment, which should free up some drills for exploration. The usual method employed in the USSR to maintain pressure in an oil deposit, in order to keep the oil flowing, is to flood the reservoir with water. The water, however, seeps or breaks through to the oil, so that the liquid raised contains a higher and higher percentage of water. Increasingly more wells then have to be drilled in between existing ones, in order to find oil not reached by the water. Injecting gas (large quantities of which are currently flared at the well in Tyumen and elsewhere in the Soviet Union) eliminates the water breakthrough problem and raises the oil total recovery rate for a field.

The gas lift equipment contract will most likely go to a British firm.

In the medium term, however, the Soviets have no illusions that oil is a permanent solution. Opposite to the Carter Administration's deindustrialization policy — with hoked up or exaggerated resource shortages to sell the plan — the Soviets are facing the eventual *real* exhaustion of fossil fuels with an all out commitment to developing nuclear power.

The *Pravda* article excerpted here reports on the nuclear industry in the USSR.

Pravda: Nuclear Power The Only Solution

V. Shilov's article "Light of the Atom," part one of which appeared in Pravda Aug. 4, is excerpted here in condensed form.

"History will dispassionately and justly record that the atomic bomb was born in imperialist America, and atomic light in the Soviet Union. Light versus destruction — what can be clearer or more eloquent than that fact!" "Remember this date. It will be defined as the start of a great industrial revolution, the significance of which is impossible even to imagine today."

That is how the foreign press commented on the news of the first atomic power station in the world, when it started up.

The era of atomic power began in the city of Obninsk, near Moscow, on June 27, 1954. A mere quarter of a century has passed, and now more than 130 atomic power stations (APS) are operating on earth....

The Soviet Union, although it possesses enough natural resources of oil and coal, is developing its atomic power industry at a surpassing rate. While the production of electrical energy increased 40 percent during the 9th five year plan (1971-75), APS electrical energy production grew seven-fold. In the 10th five year plan (1976-80), it will increase another five times.

Approximately 80 percent of electrical energy is consumed today in the European part of the country. The fuel resources here, however, amount to only a quarter of the nation's reserves. It is necessary to go farther and farther to the east and north. East of the Urals, new industries, mines, and quarries are being equipped and dams for hydroelectric power stations built. Day and night, hundreds of train-loads rush along thousands of kilometers of rail, a river of oil flows through steel pipelines, and the electricity from man-made waterfalls runs by cable — all from Siberia so that in the Ukraine, the central regions and the Baltic coast, factories can work and apartments be lit. More than 350 million tons of fuel (in standard units) annually is transported from the eastern regions to the western. All of this, of course, is not cheap. The cost of transport alone is billions of rubles. Yet the energy needs of our European industry continue to grow rapidly. A whole complex of problems in the national economy is presented. Where is the sword to cut this Gordian knot? Nuclear energy!

Just calculate: A one thousand megawatt(e) APS consumes 30 tons of low-enriched uranium in one year. For equivalent work, a thermal power station needs approximately 2.5 million tons of coal.... The economic effect (of putting to use new APS) is to save billions of rubles and free up hundreds of thousands of rail cars. The atom, in a manner of speaking, emancipates the power industry from the weaknesses of transport. Reactors can be built where it is best for the national economy, without worrying about the location of roads and resources.

Let us look at another aspect of the problem. Today petroleum products make up 60 percent of the national

fuel balance. Yet the expression "black gold" has ceased to be a casual newspaper phrase. On the world market its meaning is absolutely literal. And burning "gold" is an expensive pleasure. This is all the more so, because the successes of the chemicals industry have realized D.I. Mendeleev's dream of turning oil from fuel into an industrial raw material.

Ecologically Safe

People do not forget (the atom's) first, malicious, profession. Strict control is maintained over it, and protective systems are constructed to guard against any unexpected events. At the fifth reactor under construction at the Novovoronezhsk APS, for example, the security system provides even for accidents whose likelihood is once in 10,000 to a million years.

Modern APS also have substantial advantages from the ecological standpoint. A one thousand megawatt(e) thermal power station emits hundreds of tons of combustion residue into the atmosphere and huge slag heaps rise beside it. Control measurements over many years show, on the other hand, that wastes from atomic reactors are a hundred times less than the permissible level and absolutely do not influence the environment.

Electricity is only the first and simplest step for the nuclear power industry. The 25th Party Congress set a number of tasks for expansion of this young branch of industry. First of all it is planned to use atomic reactors' capacity to heat cities and industrial plants. Today 25-30 percent of all fuel is spent on this. It is easy to see the economic and ecological significance of replacing boilers which run on coal and mazut with atomic heating.

The use of nuclear energy in metallurgy and the chemicals industry can be extremely beneficial. This opens the way to new, highly efficient technological processes. But first reactors must be created with heat conductors than can withstand 1000°C. This is a matter for the future, but the not so distant future.

The Next Generation — Breeders

The potentials of the first generation of reactors are far from exhausted, but science is already proposing to go farther in practice. The next stage will be aggregates of a fundamentally new sort: using a fast-neutron chain reaction. They have tremendous advantages over the older reactors. The efficiency of fuel utilization will be tens of times higher. Previously inaccessible resources, such as the uranium in sea water, will be used industrially. These rapid reactors combine two processes: while burning fuel, they simultaneously breed new supplies of it.

In the Soviet Union, the Shevchenko breeder reactor on the Caspian Sea coast is already functioning. It produces not only electricity, but also heat, and is used for desalinization of water. An even larger facility is under construction at the Beloyarsk APS. With the breeder, the atomic power industry has gotten its second wind.

In the twenty three years of the atomic power industry,

a huge scientific capability has been built up. Are we prepared in practice to implement the plans put forward?

"Unfortunately, not enough," is the opinion of A. Grigoryants, member of the directorate of the USSR Ministry of Power and Electrification. "We know the basic direction for the development of the atomic power industry... what to build and where to build it. But we must still proceed not so much from necessity as from what is possible. And that is limited. Having doubled the scale of its work, this branch of the industry is experiencing some difficulties with equipment for the APS. Some construction targets have had to be set back. Let me remind you: in the immediate future, no less than 10 thousand megawatts(e) capacity in nuclear reactors has to be built per year — more than in the entire 9th five

year plan. This means that the growth of atomic power capacity directly depends on machine building for the power industry."

The Minister of Machine Construction for the Power Industry, V. Krotov, says, "The program of atomic energy development requires an industrial base. Capital investments for this are growing over three-fold in the 10th five year plan. This is already giving tangible results. We place especially great hopes on the Volgodon factory complex 'Atomash', which will be the flagship of this branch of industry."

Part II of Shilov's article will feature Atomash, the USSR's new plant for mass production of nuclear reactors.

An Understandable Soviet Blunder

The following statement was issued Aug. 12 by Lyndon H. LaRouche, Jr., National Chairman of the U.S. Labor Party and Presidential Candidate:

During the most recent weeks Soviet officials have allowed Manhattan financiers' agents of influence in and around the Soviet leadership to run amok in playing back through the Soviet press the political line being fed into Eastern European Arbatovian networks from the Dartmouth Conference and other Manhattan-centered conduits. Strategic analysts must understand that, apart from certain complicating secondary aspects of this development, at the proverbial "bottom line" of the matter this current rash of "play-back agency" is a strategic deception operation.

Soviet resort to such a deception operation at this juncture is a grave strategic error, a blunder which increases the danger of early total war. However, we must understand that given the Soviet leadership's crucial incompetence concerning certain ABCs of the internal political processes of the industrialized capitalist countries, the current blunder is understandable.

First, I shall outline the situation as it appears to the best-qualified Moscow analysts. In this way I shall show why certain top Soviet circles would think they had good reason for adopting a deception posture at this juncture. Secondly, I shall indicate how the Soviet deception posture operates. Thirdly, I shall demonstrate why it is a grave blunder. Finally, I shall indicate the most probable solution to the problem represented.

Countdown For War

Top strategist thinkers centered around the Soviet military have consistently viewed the Manhattan financial interests as the primary source of the total-war danger since no later than the U-2 incident. Although in the wake of the 1962 Cuban missiles crisis N.S. Khrushchev and his successors in the Politburo have pursued a variety of "detente" based on the false doctrine that Manhattan financial circles are "realists" who wish to avoid war, Soviet and Warsaw Pact military and immediately related development has been a consistent development of a war-winning capability for conditions of intercontinental total war.

In consequence of the massive destruction of USA-NATO strategic advantages during the period of the Vietnam War, and partially as a by-product of that war, and because of the stagnation and emerging austerity in U.S. industrial and technological progress, the Warsaw Pact has now achieved a *marginal* war-winning advantage of the type which would act as an actual war-winning advantage only under conditions of total war. That is, the Warsaw Pact capability for winning a war against NATO forces exists only under the condition that total war begins with a total-kill strike against North American

population and logistical centers — thus eliminating the NATO forces' in-depth war-fighting capabilities behind first-line NATO combat deployments. Such a war would involve an estimated 20 to 30 million casualties among Soviet citizens (i.e., in the order of magnitude of World War II losses) as against upwards of 160 million casualties in the USA. It is this ratio of losses among civilian populations which is the most critical feature of the Warsaw Pact war-winning potential at this juncture.

Overall, the balance between the "Manhattan realists" and the war-fighting postures of the Soviet leadership involves what may be termed a threshold. Whenever the direction of NATO and related postures and actions shows NATO to be committed to a threat against vital Warsaw Pact strategic interests over the near to intermediate term, and when those threatened interests are deemed to warrant risking 30 million Soviet lives, the Soviet strategic posture shifts to a war-fighting posture in a way we shall summarize below. Whenever that threshold is reached or probably reached, an interim condition tends to emerge, in which a Soviet deception operation tends to emerge automatically, again for reasons we shall explain below.

Soviet estimations are lawfully focused on two most critical developments within the NATO countries, with primary emphasis on the internal political situation in the USA and secondary emphasis on the related internal political situation in the key West European NATO country, West Germany (the BRD). The Soviet command knows that the Carter-Mondale "energy" and monetary policies commit the USA to early thermonuclear confrontation (an updated version of the Cuban missile crisis of 1962) of the sort to which the Warsaw Pact will respond with total war. The crucial issue for the Soviet strategist is whether a significant, effective opposition to the Carter-Mondale energy and monetary-austerity policies exists within the United States, and secondly whether the BRD is capable of abruptly pulling out of NATO as a last resort for preventing Carter-Mondale from going to war.

If the U.S. Congress capitulates to Carter-Mondale-Schlesinger on the energy and monetary-austerity issues, and if the AFL-CIO leadership lines up with Carter-Mondale, then the Soviet command must tend to conclude that there exists no force within the USA capable of preventing the escalation toward the showdown triggering war. If it also appears to the Soviet command that the BRD government will not sabotage such a showdown, then the Soviet command must tend to conclude that an irreversible commitment in effect to total war prevails in NATO's political command.

The second point then considered by the Soviet command is the probable timing of the actual showdown. The convergence of crisis developments in Africa and the Middle East on the period of upcoming NATO maneuvers

represents the visible, most probable point for an immediate, actual outbreak of total war.

The capitulation of the House of Representatives and the AFL-CIO leadership to the Carter-Mondale "energy" package and AFL-CIO capitulation to the Humphrey slave-labor package (the announced Sept. 4-10 rallies for Nazi-modeled slave-labor "full employment" programs) forcefully inform Soviet strategic analysts that no visible efficiently placed force has the brains and guts to stop the Carter-Mondale march toward the confrontation triggering total war. Strong indications that the Schmidt government of the BRD is not openly counterattacking Carter-Mondale efforts to overthrow that government strongly suggest to Soviet commanders that no effective opposition to the Carter-Mondale game exists within the BRD. If the BRD capitulates to the demands of Carter-Mondale's Young Socialist (Juso) and Young Democrat (Judo) supporters for a moratorium on nuclear energy programs, and if the BRD and Japan bend to the Carter-Mondale-Manhattan reflationary demands, then the Soviet command is largely correct in assuming that nothing perceptible and efficient stands in the way of total war.

However, the Soviets, not being reckless, are not going to react with "flight forward" launchings of preemptive total war while the slightest reasonable possibility exists that something might develop at the last minute, so to speak, to prevent the actual confrontation from occurring. Under such conditions the Soviet leadership will — in sports-page language — stall for time by dribbling, or punt. They will tend naturally to keep all alternative postures in place. They will keep a line open to Nelson Rockefeller et al., they will keep up alternative lines toward detente with Western Europe and so forth, will pursue their Third World "new world economic order" posture, and will also go on a discreet form of alert for anticipated outbreak of total war.

From the standpoint of the probable best estimate now available to Moscow, the immediate, next critical period for possible total-war outbreak is the period of the upcoming NATO maneuvers. If a confrontation is to erupt in some combination of southern Africa, the Horn, the Middle East, or an Egyptian invasion of Libya, it is crucial to NATO that it be in mobile deployment preparatory to war at that juncture. A combination of NATO maneuvers is the best cover for such mobile deployments.

If nothing evil develops during the August-October period, then the Soviet command might judge that the immediate total-war danger has subsided, at least temporarily, and resume a line of approach toward new strategic war-avoidance possibilities.

Overall, given the Soviet command's stupidities concerning the internal political processes of the industrialized capitalist countries, their estimation to the foregoing effect would be entirely rational in terms of the best criteria acknowledged by the Soviet political command.

The fallacy in their estimate is reflected by their failure to recognize and act upon certain vital measures of strategic war-avoidance. In short, Soviet stupidity is located essentially in their long-standing political differences with this writer and his associates.

Thus, while the Soviets are keeping their strategic war-avoidance options open, during the month of July they dropped their efforts to develop new, creative war-avoidance approaches, and withdrew to more primitive, previously-established options of the character of dribbling and punting.

How The Deception Operation Works

Given electronic and other intelligence measures, it is virtually impossible for any major power to launch a surprise attack upon the other. Respecting the deployments which must probably occur during the twelve or more hours immediately preceding a total-war outbreak, the attacking power cannot avoid displaying such preparations in significant part to its intended adversary. Pearl Harbors do not occur in modern warfare except by gross incompetence or through political guile by the ostensibly surprised adversary.

The possibility for political strategic surprise exists chiefly for the period immediately preceding the pre-assault deployment. This is particularly significant, if only marginally significant, for the mode of total war. That is, a period of intercontinental and other atomic, bacteriological and chemical bombardment precedes the assault by ground forces, such that the time between the mobilization of ground forces and the bombardment is less than the time required to complete the pre-assault deployment of ground forces. Although complete surprise is impossible, the degree of surprise can be maximized.

In the NATO countries, the political deception incident of maximizing surprise is obtained by acting while parliamentary forces are on vacation or by generating a charade in parliaments which distracts attention from the war preparations being made behind that charade. In the Warsaw Pact countries, which have a centralized political command unlike that in the NATO countries, the approach to political deception assumes a slightly different form.

In the Soviet case, the means for political deception are provided by lower Manhattan itself. Typified by Georgii Arbatov and the Dartmouth Conference case, Manhattan and its allies have large networks of agents of influence in place within and proximate to the top Soviet leadership as well as the leaderships of other CMEA-Warsaw Pact nations. These agents of influence are, in the main, well known to Soviet and other Warsaw Pact security forces as "submarines." Since Manhattan's strategy for a thermonuclear confrontation is based on influencing the Soviet command through these agents, any Carter-Mondale thermonuclear confrontation must be preceded by an intensive activation of the "submarines" within the Warsaw Pact political command. Soviet deception is based on permitting those "submarines" to run amok in the Eastbloc press, so that Manhattan agents of influence within the Warsaw Pact political command not only more readily expose themselves for Soviet security forces actions, but act in effect as Warsaw Pact play-back agents for the edification and deception of the lower Manhattan financier-political forces.

The current deception is thin. Every reading from the Eastbloc reflects the "hardest" mood seen in many

years, yet, on the surface the Arbatovians are having a field day in the Eastbloc press. Nonetheless, despite such strong evidence of a deception "playback" operation, the situation is sufficiently ambiguous to Western analysts so that hysterical elements in and around the Carter-Mondale Administration will believe what they obsessively wish to believe — that the Warsaw Pact command is politically off-guard.

The critic of the analysis would tend to argue: "But such a posture by the Soviets markedly increases the probability of total war!" What the critic obviously overlooks is that at the point the Soviet command believes that the Carter-Mondale forces are in tight control of the USA political command and about to bring down the Schmidt government's resistance to Carter-Mondale policies, the Soviet command must consider that total war is already an irreversible near-term probability. Under those conditions the Soviet command gives up those elements of war-avoidance which conflict with any slight augmentation of a war-winning capability. The critic must understand that the Soviet command's deception operation is wrong, but nonetheless rational.

The Soviets' Blunder

According to well-informed U.S. sources, and somewhat corroborated by other relevant sources, elements of the Soviet command have had the U.S. Labor Party's strategic analysis under increasing consideration during recent months, especially since Nov. 1, 1976. This is circumstantially confirmed by qualified military and related circles in Western Europe, who report Soviet military-strategic thinking as more or less precisely conforming to the U.S. Labor Party's analysis of Soviet policy and perceptions.

This study of the U.S. Labor Party's work has taken the form of a factional issue in Soviet "central" circles, in which the Labor Party's analysis of the world situation has been pitted directly against the contrary position of the 280-odd person USA-Canada section associated with Rockefeller agent-of-influence Georgii Arbatov. The Labor Party's views, shared on crucial points by leading forces in NATO and other "Western" countries, have been explicitly or otherwise endorsed to East bloc circles by certain capitalist and other forces with direct communication access to those East bloc circles. At the same time, the Soviet leadership has been the most significant containment opponent of the Labor Party after Henry Kissinger and other Manhattan-controlled forces.

The Labor Party's thesis is well known, of course, but it should be restated here in the form it has been communicated to Soviet and other Warsaw Pact political forces, as in, notably, *The Case of Walter Lippmann*. We have said to the Soviets:

- (1) The Communist organizations of the capitalist sector are at best viable social-democracies of the type of the CGIL (trade-union) strata of the Communist Party of Italy. Other Communist Parties, such as the Communist Party USA, are totally garbage, mere tools in the hands of Manhattan and other intelligence networks.
- (2) Otherwise, excepting viable currents of the trade-union-linked forces within social-democracies, the

"left" in the capitalist sector — Maoists, Trotskyists, and so forth — is absolutely political garbage of the worst sort.

- (3) The only viable forces in the capitalist sector for purposes of Soviet war-avoidance policies are represented by industrialist-labor alliances of the sort developing around Giulio Andreotti in Italy and similar formations existent or tending to develop in France, the BRD, and other nations.
- (4) Therefore, a socialist transformation in the capitalist industrialized sector is excluded for the foreseeable future except (a) as a Red Army project in the aftermath of war, or (b) an uncertain form of development produced by the "new Middle Ages" that the Carter-Mondale energy-austerity programs portend.
- (5) Therefore, the CMEA countries must in effect offer a common interest strategic alliance to humanist industrialist-labor alliances, based on industrialized global prosperity in a high-technology mode of economic cooperation among the OECD, CMEA, and developing nations.
- (6) To avoid war, the Soviet command must turn to open diplomacy in (a) declassifying its war-fighting order of battle, and (b) making a firm offer of the kind of economic cooperation which aids the OECD and developing nations in establishing a new, gold-based international banking system through which to quickly pull the world out of its present depression.

Unfortunately, although war-avoidance policies in that direction have been pursued by the Soviets and other CMEA nations, the Soviets have stubbornly refused to employ the kind of consistent and persistent open diplomacy we have proposed. That identifies their essential practical blunder.

The principal known reason for this blunder by the Soviets is their fear that such open diplomacy would give too much credence to the U.S. Labor Party. Apart from some deep resentments against the Labor Party, and especially this writer, in certain top Soviet circles, the principal reason given through indirect but nonetheless authoritative channels is that any Soviet public recognition of the U.S. Labor Party in any form but slanders would jeopardize vital Soviet channels of negotiation with Manhattan financial-political circles. The Soviet Central Committee's communicated policy on this point has been confirmed from high-level sources in NATO and other countries. The most strenuous communications have been made through Arbatovian and similar channels from the U.S. State Department and Dartmouth Conference-connected sources communicating such threats into Soviet circles.

This problem coincides with a sentimental piece of stupidity within leading Soviet circles. The forces within the capitalist sector with which the Soviets must establish understanding include, prominently, traditionally hard-core anticommunist political and social strata. The stupidity on the Soviet side in this connection is that the Soviet command has so far refused to acknowledge the propriety of giving those anticommunist conservatives the kind of open-handed, credible policy offer the situation requires. The Soviets refuse to understand, so far, that the best people in the industrialized capitalist

nations are the typical, devoutly anticommunist conservatives among trade unionists, industrialists, and so forth, the people organically committed to the humanist principles of industrial and agricultural prosperity in terms of technological progress. The Soviets cling — at least in large part — to the delusion that the so-called liberals and radicals are the relatively more viable force, that the financier circles that control these liberals and radicals are in some way a rational, realistic bulwark against the danger of war.

Collateral Features Of The Mess

There are two principal internal aspects of the Soviet Union's leadership circles which contribute to this blunder. Up front, despite the contrary impressions attributed to the Moscow Trials period, the hard-core Anglo-American-Dutch networks associated with the old Alexander Helphand-Parvus networks have never been cleaned out of the Soviet command. The spiritual descendants of Radek, Bukharin, and Riazanov are notable in this respect; the layers around the Communist Party's "Marxist-Leninist" doctrinal circles, the layers heavily influenced by Frankfurt School and other Korschite garbage, are the notable "sociological phenomenon" for consideration. It is these strata, interlinked with the nests of agents of influence of foreign private intelligence services, which are the core of the Soviet command's political problems at this date.

Let us be plainspoken. Most of what is issued from Moscow as standard textbooks in "Marxism-Leninism" is pure garbage, as is the related nonsense published under the same general auspices as "dialectical materialism (diamat)" and "historical materialism (histomat)." It is sheer gibberish, the worst sort of mixed nominalist double-talk and falsified history.

The organic outlook of the majority of Soviet citizens is properly termed socialist despite this — just as the organic outlook of the typical skilled worker, farmer, and industrialist in the USA is within the tradition of the American Revolution and the Constitution despite the garbage purveyed in most U.S. textbooks, major media, and public school and university classrooms. The organic outlook of the Soviet and American citizen is ultimately identical: it is a commitment to industrial and agricultural growth with the maximum emphasis on high technology and scientific advancement. The difference is that the American thinks in terms of privately owned industries and farms, where the Soviet citizen thinks in terms of state-owned industries and farms. The majority of American citizens are organically procapitalist humanists, whereas the majority of Soviet citizens are organically prosocialist humanists.

Otherwise, there are two other important distinctions between the Soviet and American humanist. First, sociologically, the Soviet citizen thinks in terms of the allocation of nationally accumulated capital to those industries which represent the lever for the greatest rate of overall national growth, and situates this in terms of the state budget for investment and production (the plan), whereas the American thinks in terms of national fiscal and credit policies as fostering (principally) the

development of those sections of private industry which result in the same sort of general benefit to the nation as a whole. Second, the Soviet citizen has been conditioned to 60 years of garrison economy, and with a much keener preoccupation with a hostile "outside world" than is reflected in the post-war anticommunism among U.S. conservatives.

On the top party and state levels, including the military command, the Soviet Union in particular has on balance a much better situation than we presently enjoy in the USA respecting national and foreign policies. Whereas much of the U.S. political command is made up of corrupt elements who place the interest of Manhattan banks and international finance above the interests of the nation, the preponderance of the Soviet command is sincerely dedicated to its perception of national interests in terms of industrial and agricultural high-technology progress. Whether the Soviet command makes errors in perception and policy judgment is important but secondary. The advantage, for both the Soviet citizen and for those of us who care about the real interests of the United States, is that the Soviet command is, preponderantly, rationally committed to the real interests of its nation. Hence, we can negotiate with that leadership on the basis of proposals which represent in fact the intersection of interests of our respective nations — on condition that we ourselves have a government committed firmly to our actual national interests as a high-technology industrial and agricultural nation.

The rational qualities of the Soviet command have proven themselves to extend beyond the East bloc as such to the acceptance of economic cooperation among CMEA, OECD, and developing nations as the only sound basis for durable mutual political security premised on joint efforts to effect global prosperity. Furthermore, not only Soviet scientists but numerous other key strata of the East bloc nations have excellent intelligence qualities and valuable knowledge.

So, if one can brush aside the driveling garbage on "diamat," "histomat," and so forth — which has no connection to Karl Marx — and concentrate on the world-outlook developed on the basis of Soviet organic outlooks, the Soviet leadership is in that sense socialist in outlook and method.

Unfortunately, the garbage to which we have referred is not merely verbiage. A large section of the East bloc political leadership has a soft spot for Robespierre-Danton-Marat et al., for what is called "leftism." Although the Soviets denounce anarchism and terrorism rightly enough, they have a tolerant attitude toward anarchist and terrorist layers as "erring" currents which must be influenced into a more positive outlook and practice. This is properly notorious. Wherever we see a Communist Party, we generally find a gang of misguided Communist fools tailing after this or that professed "anti-capitalist" rag-tag on the presumption that "anti-capitalist proletarian" forces must be potentially "progressive" despite their immediate lunacies. Hence, the pathetic typical Communist is found buried up over his head in some sort of liberal or "radical" lunacy, attempting to recruit from these political cesspools and influence them from within.

That is the most fundamental reason the Communist movement in the industrialized capitalist countries has

both been such a wretched failure by its own standards and has in most cases been taken over and degenerated into a condition approximately that of the FBI's miserable Communist Party USA. (Freedom of Information Act releases show a marked similarity between the refuse quality of FBI political evaluations and the same mentality exhibited in the political evaluations published in the CPUSA's New York *Daily World*. The unresolved question is whether the FBI caused the mental damage to the *Daily World* writers, or whether excessive association with the CPUSA caused brain damage to much of the FBI.)

Although Moscow knows that the CPUSA's "KGB" unit is nothing but an FBI-State Department tool, Moscow clings to the CPUSA with the same qualities a foolish monkey shows by holding to the nut within a monkey-trap.

Although the Arbatovian-Frankfurt garbage played back from Moscow does not correspond to organic Soviet outlooks and thinking, that intellectual refuse does exert a pernicious influence on Soviet foreign policy, and could be the margin of Soviet error which leads into an otherwise avoidable total war.

Illustration: Terrorism

Antiterrorist analysts, including some of the best experts, have independently emphasized to us: Yes, the Institute for Policy Studies and allied networks are the main source of terrorism — but there is also an East bloc angle. Unfortunately, there is an important element of truth in that report; as a result of Soviet stupidity, various terrorist networks have successfully dipped neo-Fabian terrorist activities in East bloc and Cuban colors. It is also true that some contaminated elements of the Soviet KGB are implicated in this.

This writer, an honest and influential figure working to prevent war, is persona non grata in effect within the East bloc and Cuba — largely through Manhattan influences on the Moscow leadership — but almost any scoundrel visiting the East bloc or Havana to implicate those nations in terrorism walks in and out of those locations, and is usually feted by some official or semi-official agency in the process! On this point, the stupidity of the Soviet leadership shows most clearly.

Worse, at the point that U.S. circles at no lower level than Zbigniew Brzezinski issued an assassination order against this writer, an "icebox" article was pulled out, this writer's name inserted arbitrarily and obviously in

"I.D. format" in the middle of it, and thus Soviet cooperation with the terrorists was planted in Issue 27 of Soviet *New Times*.

That incident illustrates the point that it is not only conceivable but probable that certain aspects of Manhattan-instigated international terrorism are partially laundered through Manhattan agents of influence in Moscow and other CMEA and allied nations, and that it can not be excluded that the dumb KGB has in some instances allowed itself to be implicated in this monstrous folly.

On some issues the Soviet leadership can be monstrously and stubbornly imbecilic!

The Solution

There are important forces within the CMEA and Warsaw Pact countries who are by no means foolish. However, for them to counter the foolish ones we must produce a credible alternative. As long as there is no signal to the effect that significant forces are moving in the United States and Western Europe to prevent an early confrontation, the Soviet command will tend to follow a war-waiting policy.

The resistance of the BRD and Japan to the Carter-Mondale energy and monetary policies, provided the Saudis do not capitulate to Cyrus Vance or Henry Kissinger, tends to create a credible block in the way of war.

A U.S. Senate rejection of the Carter energy policy would also markedly reduce the danger of war, provided that the AFL-CIO goes back into opposition to Carter.

An escalated "Cartergate," if it is accompanied by broad overthrow of the unconstitutional horrors of the Carter-Mondale Administration, would also contribute in a major way to eliminating the war danger and Soviet perception of the war danger.

To the extent that this writer and the Labor Party receive open support from circles in the USA and Western Europe that will cause a major setback to those Soviet factions which condone international terrorism and which are attempting to sabotage economic cooperation between the CMEA and industrialist forces of the OECD countries.

If these developments do not occur, then the element of stupidity in the Soviet command plus the lunacy in the Carter-Mondale Administration mean that we are on track for an early outbreak of total war. Anyone who does not take my warning seriously, considering the massive corroboration of our analysis to date, is some sort of imbecile.

Brandt Directs Rocky's Terror Against Europe

The Carter Administration has responded to the European threat to break with the U.S. dollar with a campaign of terror to bludgeon the Western European "allies" into lining up behind the Administration's plans for a fascist, hyperinflationary economic strategy. Following the assassination of Jürgen Ponto July 30 by Baader-Meinhof terrorists via the National Security Council-controlled Interpol networks, all of Europe is being subjected to terror and psychological warfare operations originating from the White House itself.

In the wake of Ponto's murder, Italian and West German press sources have revealed the identities of some of the additional names on the terror hit list, including West German Chancellor Helmut Schmidt, Foreign Minister Hans Dietrich Genscher, and top bankers and executives of the nation's major industrial corporations.

High intelligence sources report that at the top of the terrorist list is U.S. Labor Party Chairman Lyndon LaRouche, whose proposal for an International Development Bank has been a model for European anti-dollar efforts, and who is currently in Wiesbaden, West Germany organizing with European anti-Carter forces for an early creation of a new monetary system.

Brandt Comes Out

The threats against LaRouche and other pro-development figures is being conducted in part via that wing of the socialist Second International tied to Atlanticist puppet and West German Social Democratic Party (SPD) chairman Willy Brandt.

A furious political battle is underway in West Germany, with Brandt acting as Rockefeller's foremost operative in publicly obstructing attempts by sane political forces to dismantle terrorist networks. In an August 5 interview to the regional *Westfälische Rundschau* which is being widely quoted in the European press, Brandt defended attacks against Chancellor Schmidt's wing of the SPD recently emanating from Joachim Steffen, the SPD Federal Executive committee member who functions as a controller and public defendant of known terrorist networks, especially in the extremist environmentalist camp. Brandt not only backed Steffen but proceeded with his own attack on Schmidt, telling the *Rundschau* that the SPD is not an "election machine for the Chancellor," nor does Schmidt represent "the party's (i.e. Brandt's) policies."

While Brandt proceeded to chair a Second International strategy session on the explosive Greek peninsula — featuring as attendees the most prominent among the Second International's Atlanticist leaders including François Mitterrand of France and IMF

puppet Prime Minister Soares of Portugal — a Brandt protégé, Federal Research and Technology Minister Hans Matthöfer, has initiated a fullscale array of public attacks on the Schmidt cabinet's program for nuclear energy technology development domestically and abroad. Timed with the heightened threat of terrorist assault recognized by all police officials, Matthöfer issued a call Aug. 7 for the immediate implementation of "war-time" energy conservation measures, including the shutting off of municipalities' street lighting at night. Matthöfer's outrageous statements — including a public demand that Schmidt completely drop the government nuclear energy program if Brandt-connected "left-wing" SPD forces succeed in passing an anti-nuclear energy resolution scheduled for debate at a special congress in September — has provoked Christian Democratic opposition leader Helmut Kohl to demand Matthöfer's immediate firing from the cabinet.

Brandt's network has also put into motion a major organizing campaign by agent-controlled regions of the Jusos (Young Socialists, the SPD youth organization), around the theme that "capitalism is fascism." The Westphalian Juso organization has just issued a policy statement denouncing Schmidt as a tool of "the progressive concentration of capital, destruction of jobs, and subsidies to businesses."

This characterization of Schmidt's well-known alliance with leading anti-Rockefeller figures in industrial and banking layers has been specifically designed to lend political credibility to assaults by hard-core terrorist gangs, which are being activated through a brainwashing program or "belief structure," which equates capitalist policies of economic expansion — such as nuclear energy development — with Nazi tyranny.

U.S. Labor Party chairman Lyndon H. LaRouche, who is currently in West Germany where he is playing a leading role in efforts to establish a new international monetary system, has been singled out for "the 'Nazi' smear campaign, and is known to be high on the terrorists' list of potential 'hits.'"

Following a recent "Hitler" revival in Rockefeller-controlled West German media networks, Baader-Meinhof "lawyer" and controller Klaus Schily was interviewed by *International Newsweek* this week on the Ponto murder. Terrorism is on the rise in West Germany, Schily stated, because the country "has failed to fully reject fascism."

The fascist tag is also being used to target leading members of the European Labor Party, which has recently been faced with an upsurge of harassment from Maoist and "environmentalist" gangs. On Aug. 8, the anarchist rag "Arbeiterkampf" ("Workers Struggle")

published a front-page, banner headline story denouncing the ELP as "fascist provocateurs," and attacking the party for obstructing the efforts of environmental terrorists to shut down nuclear energy construction sites.

Nuclear Blackmail

While Brandt is mobilizing his networks within the Second International and the SPD to pressure the recalcitrant, anti-Atlanticist Helmut Schmidt, the Carter Administration on the other side of the Atlantic has deployed in tandem to strike at West Germany in the sensitive area of national defense. Notorious National Security Council (NSC) conduits, columnists Evans and Novak, Aug. 4 "leaked" news of a report commissioned by NSC chief Zbigniew Brzezinski which blithely proposed to cede one-third of West Germany's national territory in case of Warsaw Pact attack. With the leak out in the public domain, Carter drove the message home by refusing to immediately personally deny the validity of the report in spite of protests of the enraged West German allies.

In conjunction with the assassination threats against the Chancellor, the militarily insignificant but eminently *political* stratagem of the threatened neutron bomb deployment into Europe and so forth, the maddened Brzezinski-Carter Wall Street lackeys have delivered a crystal clear message to the NATO allies: we are prepared to go to thermonuclear war if you persist in breaking with the dollar.

In case further clarification were required, the hideous game was given away Aug. 4 when a Swiss radio station repeatedly broadcast a story that a neutron bomb had been exploded in an East-West confrontation, killing 480,000 and leaving thousands more to die a slow agonizing death. Not until hundreds of thousands of Germans and Swiss had been terrorized did the radio station reveal that this was a "War of the Worlds" Orson Welles hoax.

Strategic Keystone

The "no holds barred" activation in West Germany is the central focus of a Europeanwide terrorist operation targetting all spokesmen for a break with the dollar and Washington's austerity policies.

A highly dangerous situation has been created in Northern Ireland, where the Queen of England began a state tour today after Irish Republican Army (IRA) networks issued a series of death threats against her. The violence in the province has already left two dead, as her visit coincides with a series of planned separatist demonstrations by volatile youth gangs.

In France and Italy, state-controlled security agencies and judicial authorities are presently escalating their efforts to root out terrorist networks in a race for time with Rockefeller's operations.

Following the mass demonstration of terrorist "environmentalist" groups at the French Creys Malville nuclear site last week, similarly bloody demonstrations are

planned for this weekend at the Naussac dam site and in the town of Bourgoin-Jallieu where the 12 demonstrators arrested at Creys-Malville are being held for trial. The head of the environmentalist-terrorist Friends of the Earth, Brice Lalonde, is now in Rome working with the notoriously U.S.-controlled Italian Radical Party to organize similar terrorist provocations in Italy.

The outcome of the fight in West Germany is the strategic keystone, however, to the security of the continent as a whole. West Germany, both economically and militarily, is the clout behind Europe's efforts for independence from the dollar. Simultaneously, it is the country most vulnerable to terrorist attack.

Police agencies in West Germany are highly contaminated with Rockefeller saboteurs, who function as information control points and block government agencies from getting to the bottom of terrorist activities.

In Italy, a months long campaign under the direction of Prime Minister Giulio Andreotti has succeeded in significantly weeding out Rockefeller contamination of security and judicial agencies.

On Aug. 9, a leading gun-smuggler was arrested in Milan in connection with an assassination threat against two top Yugoslav government officials. Italian officials reported to the nation's leading newspapers that the individual seized was part of a "left-wing, pluralist" political organization, and not a member of the "right-wing" Ustashi nationalists, usually considered to be the breeding ground of Yugoslav terrorism and assassination attempts. The implication being signalled by this report is that the assassins are linked to Yugoslavia's Praxis group, a publicly documented offshoot of the U.S. institute for Policy Studies, which controls the deployments of virtually all Rockefeller terrorists internationally.

Italian officials are also known to possess detailed documentation from a similar wave of assassinations from 1974, which furnishes proof that at that time as well Willy Brandt worked directly with the Italian Red Brigades and Baader-Meinhof terrorist gangs to bust up conservative European opposition to the United States. The evidence was revealed during the trial of former secret service agent Giannettini, which occurred during the previous Andreotti administration.

In France, industrial leaders have launched a fullscale public offensive to unravel terrorist capability, and to that end, are identifying Rockefeller, by name, as the instigator and controller of terrorist gangs.

Important signals have been issued by pro-Schmidt conservatives in West Germany's opposition Christian Democracy that they may indeed be prepared to initiate a serious intelligence community shakeup, but all moves undertaken publicly so far remain tentative.

And Belgium's Flemish-language publication *De Financieel Economische Tijd*, organ of the Flemish Industrialists Association, charged that the Ponto murder was a "warning" from "the highest levels in the U.S." that Europeans must abandon any thought of opposing "American interests."

'I Don't Like The Word Terrorism'

Excerpted from an interview appearing in the Aug. 15 international edition of Newsweek.

The son of a Krupp Steel director, West German lawyer Otto Schily is...an unabashed leftist who maintains that West Germany's "urban guerrillas," as he calls them, are waging a legitimate war against the state and when captured should be treated as prisoners of war rather than as common criminals. Schily.. was a key lawyer for the defense in the recently concluded Baader-Meinhof trial and is now appealing the life sentences of the three surviving members of that gang. *Newsweek's* Timothy Nater talked with Schily...

Nater: Do terrorist means really serve a definable end in West Germany?

Schily: Let me say right away that in my opinion an armed struggle inside West Germany, for the attainment of whatever end, is politically disastrous. But I don't like the word "terrorism" because it must first involve a definition of who originated the violence. For me, the world's greatest terrorist was Harry S. Truman, who obliterated two Japanese cities full of old men, women and children. The West German urban guerrilla movement grew out of a reaction to American genocide in Vietnam. The continuing armed struggle stems from the realization of West Germany's complicity in all aspects of capitalist repression around the world. The people engaged in terrorism say that a form of government has been established here that only serves to exploit the working class. The guerrilla movement has clearly defined its political objectives, which are to combat imperialism in the cities. For them, this country has become an ideological, economic and cultural colony of the U.S., and the state apparatus must first be destroyed. What comes after that is admittedly still vague in their minds.

Q: But what rational logic motivates these people? The West German working class is hardly being exploited.

A: I wouldn't be too sure. You just have to see who suffers the consequences when things go wrong with the economy. Not the capitalists, but the 1 million unemployed.

Q: Killings and bombings are hardly the way to combat unemployment. Are these terrorists deranged?

A: Not in the least. They have formulated a clear analysis of what is happening in West Germany, and this analysis is extraordinarily similar to opinions about this country that are held by socialist circles in both France and Italy.

Q: That's a highly questionable statement. But tell me what compels this country's violent extremists to do what they do?

A: The blame for why these intelligent people have developed in such a fashion lies in the fact that there has been no strict renunciation of Fascism in this country. Many of the old Nazis are back in top positions in government and industry again and we have settled into the worldwide strategy of American imperialism.

Q: Are the terrorists misunderstood?

A: The state is in a real dilemma now. If it starts discussing the true motives and political goals (of the terrorists), then it must run the risk that these motives and goals will become known to the broad public. And it fears that the public may very well assess these things in a mere positive way. So the state is for now far more interested in suppressing the political qualities of the guerrilla struggle and instead claims there are no political motivations at all, but that these people are all the purest criminals.

Q: Do you anticipate more terrorist attacks soon?

A: I'm afraid so.

'Advocatus Diaboli'

Excerpted from Die Welt, Aug. 8 editorial by Werner Kahl:

"(Lawyer) Croissant is currently looking for support from among a group of Stalinist veterans of the resistance... Anti-fascism is the battle-cry of a group just as criminal as the Nazis... Croissant himself and some of his collaborators are now under suspicion of complicity in murder... The founding fathers of our constitution did not foresee that the bar — the lawyers — would become the center of support for mafia-like gangs... Public opinion must be mobilized against all sympathizers who, in weeklies and in magazines, put themselves forth as liberal authors in order to create a curtain of applause around Baader Meinhof and Croissant, publicizing them as anti-fascists."

Xerox Copy Of Nazi Coalition

The U.S. Labor Party has received information corroborated by two independent sources detailing how in two to three weeks the Carter Administration and the National Security Council will activate the "September Scenario" — a planned slander and harassment operation aimed at containing the party's influence. The "September Scenario" will employ the same terrorist networks that ordered the assassination of West German banker Jürgen Ponto July 29, and are now attempting to carry out a live assassination operation against U.S. Labor Party chairman and presidential candidate Lyndon H. LaRouche.

The planned escalation is being coordinated by the Xerox Corporation and Exxon, according to the Labor Party's sources. The Xerox Corporation was founded and directed by Carter's Panama Canal negotiator and former member of Nelson Rockefeller's Commission on Critical Choices, Sol Linowitz. Linowitz is also linked to another Rockefeller family private psychological warfare unit through his Wall Street law partner, Richard N. Gardner, chairman of Common Cause. Maintained by Xerox and Rockefeller Brothers Fund contributions, Common Cause pioneered overhauling this nation's congressional committee system and voter registration.

Xerox and Rockefeller's Exxon Corporation have assembled a computerized information bank on the Labor Party which will print out political directions to the "left" and "right" networks that will be involved in the planned multilevel attack against the Labor Party.

The organizations on the "left" include the American Civil Liberties Union, the Fellowship of Reconciliation, the Women's Strike for Peace, the Members of Congress for Peace Through Law, the Women's International League for Peace and Freedom, the National Council of

Churches, the Council for a Livable World, the Ad Hoc Committee for Human Rights, the World Federalists, and the World Without War, to mention the most prominent. This "Fabian" network will be coordinated by the Council on Foreign Relations and the Institute for Policy Studies (IPS). While these organizations will be instructed to slander and circulate rumors with the IPS-designed ID format, "the Labor Party is fascist," or to target Labor Party member's parents and party sympathizers in these organizations in particular, hard-core Maoist terrorist groups like the Revolutionary Union will be deployed for physical attacks against Labor Party organizers.

The United Auto Workers used this same ID format to slander the U.S. Labor Party in an Aug. 8 letter to the editor of the conservative-owned daily *Detroit News*. Purporting to comment on a guest editorial by Nancy Spannaus, *New Solidarity's* editor-in-chief, Howard Lipton characterizes the party as "violent" and "involved in attacks on progressive groups like the Communist Party USA."

The "right" side of this escalation includes Richard Viguerie and the Buckley family who will circulate within the conservative and independent movement such slanders as the "Labor Party is KGB," while the Ku Klux Klan and the Nazi Party are prepared for physical attacks on Labor Party offices and members.

The "September scenario," known to the Labor Party for two months, is aimed at preventing an expansion of Labor Party organizing onto college campuses and consolidating organizational gains made in the trade union movement, and conservative and independent political layers. The Labor Party has already planned preemptive moves to erase this Xerox copy of the Nazi coalition before it gets started.

U.S. Labor Party Activates 'Operation Counterterror'

The following is a preliminary listing of two inter-related sets of facts. On the first level, the publications that support the terrorists and help to shape the belief structures of the terrorists and their auxiliaries, have targeted the enemies of the Carter-Mondale-Brzezinski Administration to the effect that whoever significantly opposes the "environmentalist energy, and Schachtian economic" programs of that Administration is a "fascist." On the second level, the same network of publications and associated key individuals have publicly targeted LaRouche as a "menace like Hitler" on the basis of the same issues used to target bankers, industrialists, and politicians on

Treasury Secretary Blumenthal's enemies list.

Thus, considering the pattern and the scope of this public evidence from terrorist networks, any security agency that denies that LaRouche has been targeted for assassination by Brzezinski is either imbecilic or lying.

The publication of updated lists of those complicit on these two levels is an indispensable measure of anti-terrorist action.

Admittedly, the evidence proves only that LaRouche has been targeted as a high priority assassination subject by the international terrorist network acting for Brzezinski et al. It is not proof that the demanded assassination is currently operational. However, it does

show that at this particular moment LaRouche is the highest priority victim of international terrorism, and information received shows that the assassination deployment is in progress.

Some persons will object that by publishing lists of names of publications and persons responsible for promoting terrorist assassinations we have implicitly "set them up" as counterterrorist targets and in a sense, that they have been "taken hostage." We make no apology for that. Our moral responsibility is to make certain that we do not identify any such persons incorrectly.

The Covert Character Of The Assassinations

The technically "covert" character of Zbigniew Brzezinski's current international terrorist action is obtained by running the technical control of the assassinations with terrorists requisitioned from the international networks headed by Marcus Raskin, Richard Barnet, Noam Chomsky, Jean Paul Sartre, et al., the "neo-Fabian" or Institute for Policy Studies' "New Left" anarchist network.

The covert character of these assassinations is provided by deploying masses of the "New Left" auxiliaries, such as Maoists, Trotskyists, and Naderites, as political cheering sections for the political outlook identified with the terrorists themselves. The terrorists deployed by Brzezinski are not professionals in the conscious employ of the U.S. National Security Council. They are largely dupes who are supplied artificial motives for killing persons Secretary Blumenthal dislikes.

The hard core of those responsible for manipulating the terrorists and their auxiliaries are certain strata of liberals, especially of the liberal press media, who act to create a "pro-environmentalist" environment within which Chomskyan linguisticians and Raskin associates and allies create the "synthetic religions" of Maoism, Trotskyism, Naderism, etc. through which the hard core terrorists and their cheering sections are motivated.

The Propaganda Networks

Thus, the propaganda networks used to generate and maintain the "synthetic religion" or "belief structures" of the terrorists and their cheering sections represent the most visible, indispensable and vulnerable above-water aspect of the terrorist networks.

As a whole, those agencies and persons who make statements in the "ID format" of the terrorist belief structure are either dupes or knowing agents of the international terrorist network. If those persons are operating on an informed level, then they are witting accomplices of the terrorists and thus fully accountable to police and other relevant agencies for all crimes committed by the terrorists. These are the people to be rounded up en masse for thorough interrogation in any competent effort to root out the terrorists.

No other approach will succeed.

For example, any professor, politician, or political group that either endorses the Buback or Ponto assassinations or defends the right of others to endorse those assassinations is a culpable moral imbecile, who should be treated according to the standards of

responsibility developed by Justice Jackson and his associates at Nuremberg. The only issue to be considered for such cases is degree of culpability; the degree of culpability automatically increases in proportion to the social status of the individual or organization involved.

Two Groupings

To that purpose, we section the following lists of individuals and organizations into two general groups. The first grouping is a partial, exemplary list of elements of the current international terrorist deployment as a whole, based on those agencies that promote the peculiar belief structure of the current Baader Meinhof-Croissant formulas in an indisputably "ID" format. The propaganda agencies of the enemy are part of the enemy forces, to be held accountable for the enemies' actions as a whole. The second grouping is a partial listing of individuals and agencies that have targeted the Labor Party or LaRouche personally for assassination within the same ID format.

These lists will be regularly updated. If those named have any fear on this account, they need but publicly break with the anarchist-environmentalist networks and expose their former allies — in short, defect from the terrorist cause in some credible fashion. We have no wish to see matters reach the stage of a counter bloodbath. We wish to stop the terrorism immediately. Another important "hit," and, on the basis of our reading of the anger building up against Brzezinski's crime wave, the threshold for countermeasures against Brzezinski's little Maoist-Trotskyist helpers might prove to have been reached.

Who The Terrorists Are:

LIST NO. 1

The following media and related key individuals are all documented as witting participants in the conditioning phase of the Brzezinski bloodbath deployment.

Jean Paul Sartre — *Les Temps Modernes* (Paris)
Klaus Croissant
Ernest Mandel
André Gorz
K.S. Karol
Le Nouvel Observateur (Paris)
Red Star Collective (Frankfurt)
Herbert Marcuse
Robert "Bo" Burlingham
Régis Debray
Oskar Negt (SoPo Bureau — SPD)
Murray Bookchin
Bernadine Dorhn
Francesco Alberoni
Dr. Alexander Mitscherlich (Sigmund Freud Institute)
Dr. Jürgen Seifert (Hanover University)
Peter Breuckner (Hanover University)
Johannes Agnoli (Berlin Free University)
The Elements — James Ridgeway
Alexander Cockburn
Ralph Nader — Public Interest Research Group, Center for the
Study of Responsive Law, Congress Watch
Daniel Cohn Bendit
Time Out (London)

Open Road (Seattle, Wa.)
Helene Ellenbogen (Seattle)
Agenor (Brussels)
Friends of the Earth
National Resource Defense Council

LIST NO. 2

The following media and key individuals, in addition to being witting participants in the conditioning phase of Brzezinski's bloodbath deployment, have been documented as directly involved in the targeted assassination plot against U.S. Labor Party Chairman LaRouche through the conduiting of the "LaRouche equals Hitler" ID slander.

CounterSpy — Organizing Committee for a Fifth Estate
WIN Magazine (official publication of the American Friends Services Committee)
In These Times (Chicago)
Daily World — CPUSA
Militant — Socialist Workers Party
National Guardian
Prairie Fire Organizing Committee
Oswatomie (official publication of the Weatherunderground)
Informationdienst (Frankfurt)
Berliner Extradienst (Werst Berlin)
Libération (Paris)
Time Out (London)
Bild y Folkt (Stockholm)
Konkret (Frankfurt)
Village Voice (New York City)
Real Paper (Boston)
Boston Phoenix
Seattle Sun
Night Watch (Chicago)
University of Wisconsin Daily Cardinal
Valley Advocate (Amherst, Mass.)
Lotta Continua
Avanguardia Operaia

Noam Chomsky
Richard Barnett
Clamshell Alliance
Andrew Kopkind
Stephen Rosenfeld (*Washington Post*)
Paul Montgomery (*New York Times*)
Harvey Kahn — Repression Information Project, Terrorist Information Project
Philip Agee
Mike Zagarell — *Daily World*
William Kuntsler — National Lawyers Guild
Paul Zilsel — Left Bank Bookstore (Seattle)
Tim Butz — *CounterSpy*
Winslow Peck — *CounterSpy*
George Jackson Brigade
Revolutionary Union (Seattle)
Paul Jacobs — Russell Sage Foundation
Liberation News Service (New York City)
Workers World Party — Youth Against War and Fascism
Revolutionary Union (Revolutionary Communist Party) — William Hinton
H. Bruce Franklin — Rockefeller Foundation
Midnight Special — National Lawyers Guild official prison newsletter
Jan Myrdal
Crawdaddy magazine — Chuck Young (New York City-San Francisco)
George Lennox (Stockholm)
Jürgen Dragsdahl — *Informacion* (Copenhagen)
Livio Maitan (Milan) — Fourth International
Dr. Rudolf Heinz (Dusseldorf)
Erhard Eppler (SPD)
Horst Emhke (SPD)
Paul Kurtz — *Humanist* magazine (Buffalo)
Socialist Revolutionary Party — Deran Morris (Seattle)
Michel Vale
David McReynolds — War Resistance League (New York City)
Telos (St. Louis)
Nat Hentoff

French Oil Magazine:

A Connection Between Ecology Terror And Carter Energy Policy

The following are excerpts from the Bulletin de l'Industrie Pétrolière (Bulletin of the Oil Industry), Aug. 8:

And what if the recent Parisian bombing aimed against M. Marcel Boiteux, General Director of Electricity of France and foremost proponent of nuclear plants (including the Super-Phenix), the murder of M. Jürgen Ponto, director of the Dresdner Bank and as such the most directly tied to the German nuclear plant construction companies (he sat on the administrative or over-seeing councils of KWU, Siemens-AEG, RWE and various Krupp interests), the riots of Creys-Malville, the trip of M. Cyrus Vance to the Middle East, and the energy program of President Carter were intimately related events? At first glance this question may seem absurd. But nonetheless certain American political circles, of course with limited scope, but not necessarily badly informed, believe it very strongly.

If we take the liberty, under exceptional circumstances, of invading the highly dangerous ground of American internal politics, it is because in this special case, everything is related. One cannot speak of the future of the oil industry today without taking into account at the same time, the nuclear question. One cannot deal with OPEC policy without taking American diplomacy into account. The oil savings, zero-growth, deflation, the sudden and incomprehensible decline of the dollar, the sudden turnabout of Iran in Stockholm (another event that appears incomprehensible) — here are a certain number of givens which are enough to intrigue even the oil circles accustomed to backroom actions of the diplomatic sphere and seasoned in the exercises of the Kriegspiel (war games) of geopolitics.

Thus, in the face of strange facts which lack rational basis at first sight we do not intend to listen to certain agencies from the other side of the Atlantic, whose game and agents are hard to sort out. However certain allegations appear sufficiently disquieting for us to report on them.

What struck us particularly is the financing of the ecology movements, the American ones to begin with, then the international ones, through certain "foundations." There the facts are indisputable since they are written in the accounts of the latter: The two foundations, of the Rockefeller family (Chase Manhattan Bank), the

Ford Foundation and the Kaplan Foundation, have spent considerable funds over the past years to finance ecology organizations. It is disquieting and especially surprising if one knows — something well known on the other side of the Atlantic — that certain of those institutions with philanthropic aims (but allowing 'big families' to avoid paying certain taxes) have 'sprinkled' organizations whose participation in CIA networks has been more or less known, while others subsidized subversive activities with the goal, it is said, of dividing the opposition (opposition groups — ed).

All of this obviously looks very much like James Bond, SAS or other fiction novels and movies well-liked during summer vacations, but Rockefeller effectively seems strongly implicated in Carter's energy policy when Gerald O. Barney, director of Rockefeller Brothers Fund, during a recent press conference, did not hide that his Task Force Report, "The Unfinished Agenda," has inspired the present guest in the White House. It is the masterpiece of a group called the Environmental Agency Task Force, set up by the Fund, which has advocated a considerable reduction in U.S. energy consumption combined with a five-fold increase in domestic prices of the different energy sources. Of course it eliminated every thing concerning nuclear energy. Further it agrees with the Club of Rome and its advocacy of zero growth. This program has not only gotten the support of certain members of the Carter Administration, it has also gotten that of several Senators and members of the House of Representatives.

What's the goal? On a broad level, evidently a greater independence of the U.S. with respect to energy, and in this area the advice is the same as that of the American oil industry which obviously advocates an increase in the prices of oil and gas as well as a reduction in energy consumption. Knowing the links of the Rockefeller family with the big oil groups, this would thus be hardly surprising. But in fact, things seem to be much more complicated. In part because Rockefeller also supports Senators Church and Javits notably, which are not at all allied with oil companies as is well known, as well as different ecology organizations which, as for them, are even more hostile towards oil and nuclear which the U.S. oil companies want to develop.

If one is to believe the American observers mentioned earlier, the objective of the whole of the operations in-

volving the terrorist actions against proponents of nuclear energy in Europe and, against all the efforts aiming at developing nuclear energy on this side of the Atlantic, this objective would be to help out the oil producing states in their task and thereby channel their revenues towards the United States and most particularly the big banks like Chase Manhattan. If one knows that most of the OPEC countries incurred very heavy debts with the U.S. banks before the oil crisis, it would obviously be a roundabout way to allow them to pay back in due time the credits thus granted.

At the same time, the goal would be to end the attempted efforts by the Europeans to counter the American stronghold, and, in this respect, West Germany begins to play too much of an independent role which would worry Washington much more than the flirtations of M. Giscard D'Estaing with the Arab world. Is it for this reason that M. Ponto was on top of the list of men to be eliminated?

What happens to Creys Malville in all that? Isn't it in the logic of things that M. Carter, hostile to fast breeders at home, cannot allow their development elsewhere? There we are again getting back into the domain of political-fiction. Those who inspire the ecology movement in France as well as Germany are well known. Their financing comes, there too, from the United States and their grand theoreticians are Messieurs Alain Touraine, Serge Moscovici, and André Gorz (collaborator of the publication *Le Nouvel Observateur* under the name of Michel Bosquet), all three professors very involved during the May 1968 movement, and, at the time, in close touch with Daniel Cohn-Bendit.

Of course one should not take the effects for the cause and their positions are probably not born out of an alleged collusion with certain more or less suspicious American agencies. It is nonetheless true that the other side of the Atlantic is trying to take advantage of the situation. It is also a fact that the Ecole Pratique des Hautes Etudes (EPHE 6) (Practical School of Higher Studies — ed.) which is on top of the ecologist networks, gets its funding from the Ford Foundation and the Council on Cultural Freedom which — simple coincidence? — occupies the same building. The last mentioned organization would have been set up by the OSS since several of its founders come from the OSS. M. Moscovici who helps out Brice Lalonde is in charge of the Social Psychology Department at EPHE 6 and M. Touraine is the head of the Industrial Sociology Laboratory.

For some very influential U.S. political circles, support for leftist movements is a "basic" thing. It is often practiced in the United States itself on the principle that the best way to compromise an opposition movement is to divide it through the creation and the support of deviationist grouplets and organizations of the same tendency. It is thus that the CFDT would have received American 'encouragement' because (it was) competing with the Communist CGT. And the position taken by the CFDT on the ecology question is — as is well known — very close to that of the ecology movement which is the European transplant of similar initiatives on the other side of the Atlantic.

Everything mentioned above, though it makes certain

activities suspicious and makes one wonder about the close and bizarre cooperation of all the leftists and anarchists and — as Creys Malville demonstrated — terrorist grouplets and groups, is, however, not the most essential thing. What is much more important is the curious outcome of the ecology demonstration which pretended to be 'peaceful.' What are the facts?

A gathering of a few tens of thousands of persons — let's say about 30,000 where the organizers announced between 50 and 100 thousand (e.g. Michel Bosquet in *Le Nouvel Observateur*) — is it a success or a failure in a country of 50 million inhabitants? Was the impossibility of coming onto or even approaching the construction site a success or a failure?

One can wonder to what extent the violent confrontations which occurred on this occasion did not precisely aim at giving more publicity to a demonstration whose essential objective was to "strike" public opinion. The complacency of a certain press in this regard could be indicative of the success of such a strategy.

Since when can the action of a tiny minority, manipulated to top it all off, impose its will on a whole country? Is it to please the United States which, engaged in an anti-nuclear and especially anti-fast breeder policy, would be only too pleased that Europe be unable to show too much inclination toward independence by tightening the straitjacket of its ... dependency upon foreign energy resources?

French Press United Vs Ecologists

Le Figaro, Aug. 8, editorial by Serge Maffert, of the editorial board:

After describing the ecologists' aims and conduct Maffert comments that: "All this leads to perfectly reactionary behavior, in the proper sense of that term, and to the refusal of any social organization, of any economic or social progress. It is difficult to forget that the ancestor of this behavior in Europe, Charles Maurras who condemned all forms of science and technology, as well as national socialism whose philosophy, if one may call it that, notably preached a mystical return to nature."

L'Aurore, Aug. 9 editorial by Dominique Jamet:

"Everything is happening as if the anti-nuclear summer has discredited itself through its own excesses... It is the CGT (CP trade-union federation — ed.) and the French Communist Party which prefer the risks of progress to the certainties of shortages.... It is the European Economic Community which solemnly declares itself in favor of the fast breeders. The referendum suggested by Mr. Mitterrand (head of the Socialist Party — ed.) is after all, taking place daily already."

Le Monde, Aug. 7-8, free opinion column by professor and former student leader Edouard Labin:

"Do our leftists know that for Marx the essential task of the revolution was to retake the productive forces from

the faltering hands of the capitalists, so as to bring them to the highest level of development?... Believing that they fight for universal joy, the ecologists will only bring back universal frustration.”

L'Aurore science and technology column, Aug. 9, “Polluted man lives twice as long as the savage.”
Interview with Roger Dumon, Director of R and D for the Heurtey Company, and scientific advisor of the governmental Agency for Energy Savings.

“Modern man, for example the Parisian, is described by our advocates of nature as a slave of industry, poisoned by the pollution of the town which makes him die prematurely. On the contrary the good savage in the large natural forest, has an easy life, without pollution and without restraints, which leads him to a happy and long old age. But when one looks at the statistics one realizes that the poor Parisian, the industrial man, has a life expectancy of over 72 years, while the man living in the tropical forests lives 32 to 37 years on the average...In another area the ecologists' struggle against chemical fertilizers is certainly one of the most beautiful examples of mystification. If the specter of famine has been able to definitively disappear from our industrialized countries, it is first of all thanks to chemical fertilizers.”

Le Figaro, Aug. 10, “The Nation and Nuclear Energy,” by Michel Debré:

“...Do you realize that a few months after the conquest of Austria, after Munich, a few weeks after the Prague coup, the Memel coup, hundreds and even thousands of people, among whom I do not doubt that there were many sincere ones, were demanding that a free hand be given to Hitler? Thus, in the few years which preceded the war, the infamous Fifth Column, which was active in the press, in the antichambers, in certain industrial circles, which insidiously penetrated political and higher administrative circles, found apparent popular support in a small passionate and naive group. It is not because the mediocrity of the political and military command led us to disaster in 1940 that it is opportune to forget or excuse a state of mind whose nefarious propaganda, today erased by the reaction of Free France and the Resistance, symbolized capitulation to tyranny and abdication to enslavement. Pacifism, under the noble pretext of avoiding war, was inviting us to embrace immediate dishonor, then, anyhow, war and slavery. Because this movement was uncommon, and in many respects scandalous, would we have given it the publicity presently awarded the adversaries of any national energy policy?”

“Let us not be fooled, indeed. Among the many wars which we are living through without being conscious of them, ideological war, economic war, war over wealth and strategic positions, the energy war is a capital war, not only for the destiny of the nation, but for the freedom of Frenchmen.

“It is easy to state that our civilization, through the excesses of science and technology, stupefies man. It is easy to seem brilliant by deploring that industry, through pollution of the atmosphere, is the curse of humanity. It is easy to become well-known by decrying a civilization which, through the excesses of comfort and the abuses of

advertising, disconnects the human mind from moral values or, more simply, from its natural milieu. This mixture of refusal of national progress, inspired by certain pre-war retrogressive movements, and of a return to the land, a panacea presented by Vichy to conceal humiliation, enslavement, and misery, is in itself somewhat insane. Without science, without technology, without industry, where would we be?

“...Ecologists, beware! Your respect for nature deserves to be approved!... Thus your action, in its principle, is highly reasonable. But watch out, such and such nuclear power, such and such oil power applauds the obstacles which you throw up to delay the development of national energy sources. Who can assure us that the cohorts of foreigners who come to support disorders here are entirely made up of pure and peaceful spirits?...”

L'Humanité, Aug. 4, “The Trap”, by Jean Le Lagadec:

“...It is obvious that organized violence helps the designs of those who precisely want to avoid democracy and a debate.

“Terrorist attacks against EDF (the national electrical utility in France — ed.) are multiplying, and graffiti go as far as to compare the employees of the national utility with the SS.

“The seriousness of these actions must not escape the democrats of our country. All that feeds in this way the government's operations demands an unequivocal condemnation by all democrats, by all political formations which refuse to see the people's aspirations nullified by the complicit action of various forces.

“The trap is visible. We have warned against it from the beginning. To set foot in it, to let oneself be dragged into it or to let it function without a vigorous reaction is, in the final analysis, to make oneself an accomplice of it.

“Everything indicates that the Malville strategists are going elsewhere to set up their machine for new provocations.”

L'Humanité, Aug. 4, “Why tension is deliberately kept up”

“Let us recall that before the Malville demonstration the Socialist Party had adopted a position marked by ambiguity, announcing that it would participate in it, then reversing itself and organizing on the same day a separate gathering in the area.

“Such ambiguities — as we have already stressed — are the basis of attacks against the supporters of the Common Program. Thus, Mr. Carrignon, a member of the RPR Central Committee (Chirac's Gaullist Party — ed.), thinks he can say that “the supporters of the Common Program have just demonstrated the real goal of their action which aims, in all circumstances, at ruining the authority of the Republican state, discrediting its representatives, pressuring the judicial system and public opinion by misrepresenting facts and saying bare-faced lies...”

“The administrative offices of EDF-GDF in Le Havre were bombed on the night of Aug. 3. The fire partly destroyed the archives room.

"Denouncing these violent actions, the CGT, GNC, CFDT, FO, and UNCM trade-union organizations present at Le Havre EDF-GDF "condemn with vigor such aggressions which represent an attack against our nationalized firms, an integral part of our national patrimony, and can jeopardize human lives."

"...Enough leniency for the authors of these attacks.

The unions are calling on the personnel to remain vigilant so useful measures can be taken in case new violent acts should occur."

(All these trade-union organizations decided to hold a one-hour protest strike against terrorism Aug. 11, following the bombing of another EDF facility in eastern France on Aug. 9.)

Sweep Up West German Anti-Nuclear Rabble

In a quick and efficient police action, the West German state of Schleswig-Holstein last week successfully dispersed an environmentalist "hamlet" outside a fission reactor construction site outside the small town of Brokdorf. The decision to remove the 500 occupants was made by Gerhard Stoltenberg, the state's Prime Minister and the most active contributor to the growing momentum within the country against the terrorist-linked saboteurs of the government's nuclear energy development programs.

Because of the success at Brokdorf — the scene of a bloody battle last February — pressure is mounting on the neighboring state of Lower Saxony to remove a more well-established hamlet around another nuclear site near Grohnde. The Lower Saxony government has continued to stall on the issue because of its furtive support of the Carter Administration's anti-nuclear stance. State Interior Minister Rötger Gross insisted this week that "We will act, but only when we think it is tactically correct."

For the overwhelming majority of industrialists and trade unionists, that "tactically correct" moment already arrived July 29, when a terrorist hit squad murdered the banker Jürgen Ponto, a prime mover in nuclear and heavy industry. Thanks to Ponto's death, the organizational link between the anti-nuclear movement and the "Baader-Meinhof Gang" has now become apparent to all. Adolf Schmidt, head of the Mining and Energy Trade Union, declared that the very existence of the Grohnde hamlet is an attack "similar to the cowardly murders of (judge) Drenckmann, (federal prosecutor) Buback, Ponto and many others." These anti-nuclear groups are nothing but "activists programmed for violence." The conservative paper *Rheinische Merkur* noted that the Grohnde village is named after Georg von Rauch, a terrorist shot in West Berlin in 1972.

Ironically, the most prominent saboteur of the government's energy expansion program is the government's own Minister of Research and Technology, Hans Matthöfer. Matthöfer was originally installed by former

Federal Chancellor Willy Brandt, who today publicly advocates a "thinking pause" for all nuclear construction activity. In a recent interview, Matthöfer prescribed a full dose of Jimmy Carter's deindustrialization for the country: He will support a Social Democratic Party resolution calling for a 3-5 year moratorium on all nuclear construction, and claimed that if the SPD votes in favor of the resolution at its national congress this fall, Chancellor Helmut Schmidt and Economic Minister Hans Friderichs will have no choice but to carry it out. In the true Carter tradition, Matthöfer's "energy savings" proposals included "wartime measures" such as turning off city street lights at night.

While the Schmidt wing of the government has maintained an embarrassed silence, pro-industry conservatives have been issuing a cascade of abuse against the technology minister. Christian Democratic Union (CDU) chairman Helmut Kohl called the interview "a declaration of total bankruptcy," and asked "What's he still doing in office anyway?" Friedrich Zimmermann, parliamentary leader of the Christian Social Union (CSU) said that "Matthöfer has two options. Either he supports the government's program as it stands, or he resigns....The job of the (Christian Democratic) opposition parties is to make sure that Chancellor Schmidt's energy program is upheld."

The global implications of a failure to develop a strong nuclear-based economy have been grasped by the best of these conservative spokesmen. Regarding the Carter Administration's attempts to stop the celebrated nuclear deal between West Germany and Brazil, the newspaper *Frankfurter Allgemeine Zeitung* wrote that "the united front which emerged then was a big surprise to the Americans. But now the front is crumbling, and Matthöfer is waving a white flag." Heinz Riesenhuber, energy spokesman of the CDU, bluntly warned that "If the Third World is not developed by nuclear energy, then countries will be fighting each other for energy supplies by 1980."

Milanese Police Uncover Plot To Assassinate Tito's Vice President

The following article was excerpted from the Italian daily Corriere della Sera, August 9:

The existence of subversive plans to assassinate Vice-President of the Yugoslavian Republic Edvar Kardelj, the Foreign Minister Milos Minic, and the chief of the political police were revealed by the Milanese Magistracy to the Italian Foreign and Justice Ministries so that the relevant Yugoslavian authorities would be informed.

The assassination of the three political spokesmen was being planned by "Narodno Oslobojenje," an underground organization that might have nothing to do with the Ustashi but which seems to identify itself with self-professed progressive and anti-dictatorial socialist Yugoslavian groups who are for political pluralism. A detailed report on the case was sent to Rome by the Deputy Attorney General Pier Luigi Maria Dell'Osso.

The document explains how — during the course of a normal investigation for arms possession — a member of the terrorist group committed to kill Kardelj was spotted. The member in point is the 28-year-old student from Belgrade Milivoje Radulovic, who has been living in Italy

for some time and recently moved to Milan. It was by investigating him that the investigators were able to piece together a puzzle which — to the surprise of the investigators — revealed the existence of the criminal plan.

The Carabinieri arrested Radulovic July 30 under suspicion of robbery... A real arsenal was found in his car: two machine guns, a high precision rifle, six pistols of various kinds, including war pistols, and so forth. Initially the findings strengthened the suspicion that he was working for some sort of Yugoslavian bandit group.

Subsequently, the investigations underwent an unexpected turn and the story of the assassination attempt came into full light — a story that the investigators took reluctantly at the beginning but which later, on the basis of partial confessions, testimony and what the magistrates define as 'objective findings', has revealed itself for what it is: a complicated affair of political terrorism not to be underestimated in any way... The points yet to be clarified are many... but sufficient convincing proof was gathered regarding the attempt so as to permit the investigators to get down to work on the details...

'Shadow Of Secret Service' Behind Italian Red Brigades

The following is a summary of articles published in the Italian press last week on a two year investigation of the Red Brigade terror unit conducted by Judge Giancarlo Caselli:

In a 340 page report, Italian magistrate Giancarlo Caselli put together the results of one of the "most complex and complete investigations ever done by the magistracy," according to *La Stampa*. Caselli was assisted by the Carabinieri, the Anti-terrorist Squad, and the Tax Police.

Two years ago, after conducting the investigation which led to the arrest of Renato Curcio (head of the Red Brigades) by Carabinieri General Carlo Alberto Della Chiesa, Caselli ended up in possession of numerous documents found in Red Brigade hideouts. In an operation described by *La Stampa* as a "confrontation between two

states," Caselli painstakingly followed every clue to find out that the "Red Brigades were no ordinary bandits, but rather a highly organized group with sophisticated capabilities for profiling politicians, industrialists, etc., and prepare extensive dossiers on their targets." Caselli found most of the documents in the offices of *Controinformazione* — the official publication of the Red Brigades founded in 1973. According to Caselli's report, *Controinformazione* is linked to West Germany's Baader-Meinhof terrorist formation.

One of the most explosive elements of Caselli's report is his documentation of the fact that the Red Brigades have "infiltrated right wing groups — so that the red threads get mixed with the black threads." Furthermore, Caselli exposed the "shadow of the secret service (SID)" which continuously showed up in the course of his investigation. In the offices of *Controinformazione* he found secret memorandums and briefings which circulate only in restricted SID circles, while one of the lawyers who has been defending the Red Brigades for years is an agent of the SID. Caselli has indicted 28 people for interrogation and possible prosecution.

Crackdown Begins On U.S. Terrorists

New York Mayor Abraham Beame and local law enforcement agencies have begun to round up the terrorist group called Fuerzas Armadas de Liberacion Nacional, the FALN, which claimed responsibility for a recent wave of midtown bombings, which resulted in one death. So far, eight FALN members have been arrested.

The arrests mark the closing in on the domestic component of the international wave of terror that began with the Baader Meinhof gang's murder of West German Jürgen Ponto. The FALN, and its Baader Meinhof correlative in West Germany are part of the international terror networks coordinated by Interpol and the Institute for Policy Studies.

Cracking the Case

Mayor Beame preempted Carter Administration attempts to use the FBI and Justice Department to protect the terrorist networks by announcing Aug. 4 to a press conference that the identities of FALN terrorists were already known by law enforcement agencies. This unprecedented statement signaled that the FALN investigators were about to expose the networks of the Institute for Policy Studies.

The same day New York police arrested David Perez, former defense minister of the Young Lords and the South Bronx coordinator of Young Lords activities in 1970, when they were participating in the takeover of the Lincoln Detoxification Center. Lincoln Detox, an Institute brainwashing center for methadone zombies, is the spawning ground for Black Liberation Army cop-killers.

Perez was arrested and charged with the possession of firearms while at the Bronx apartment of Vincente Alba, another Young Lords leader and currently counselor at Lincoln Detox. Also seized in the apartment were three typewriters, a mimeograph machine and stacks of FALN support stickers. Within hours of the announcement of the arrest, a suspicious fire broke out in the records section of the Lincoln Detox building.

Two days earlier, Pennsylvania State Police had raided a Pottstown laboratory and arrested Dr. Zimmerman, a medical examiner for the Pottstown police department. He was charged with possession of \$2.5 million in illegal methaqualone and methamphetamines. Arrested with Zimmerman was Paul F. Maurer, a member of the Institute's Revolutionary Union at the Firestone Rubber Plant in Pottstown.

Both Zimmerman and Maurer are close associates of Dr. Steven Levin, another member of the RU, who was trained at Lincoln Detox and sent to the Pottstown area in 1973 to coordinate a joint RU-Ku Klux Klan "caucus."

In 1975, high-level intelligence sources had identified this same left-right network to the Labor Party as the way station for explosives to midwest terrorists. These terrorists included the FALN, the KKK, and the Weather-underground. The operation was coordinated by the Treasury Department's Division of Alcohol, Tobacco and Firearms (ATF).

There is no doubt that this series of arrests hits at the heart of FALN operations. In October 1974, several weeks before the first major FALN bombings in New York, David Perez was frequently seen in the company of Narciso Rabell Martinez, leader of the so-called Revolutionary Socialist Party of Puerto Rico and a known organizer of the terrorist Movimiento Independista Revolucionario Armado (MIRA). Rabell had come to New York explicitly to recruit operatives for "armed struggle against the state," and Perez was one of his closest companions.

The Perez arrest activated the Institute's support apparatus, which screamed conspiracy and violation of civil rights. Through the efforts of veteran defender of the Weatherunderground, Michael Kennedy, Perez and Alba were released on \$1,500 cash bond each.

But Perez and the other individuals charged are just cannon fodder or at most secondary organizers of a terrorist support apparatus that extends internationally from the boardrooms of top Wall Street banks and foundations to the so-called community-based brainwashing centers like Lincoln Detox and Chicago's "El Rincon" methadone center.

The FALN Command Structure

At the top level are the Ford Foundation, Stern Family Fund, Samuel Rubin Foundation, the Fund for the City of New York, the New York Foundation, and the New York Community Trust. The latter is a fund established by a consortium of the ten largest New York banks.

This network provided \$100,000 in operational funds to the Center for Constitutional Rights in 1975. Among the individuals directly involved in distributing those funds are mayoral candidate Mario Cuomo, Mrs. Laurance Rockefeller, and Whitney North Seymour, a member of the Council on Foreign Relations and former law partner of Secretary of State Cyrus Vance.

Level two is legal defense. Through the Center for Constitutional Rights and the National Lawyers Guild's Grand Jury Project, legal maneuvers to prevent testimony before grand juries investigating the FALN have stymied all efforts to crack the case since 1976. Guild attorneys Elizabeth Fink of New York and Mara Seigel of Chicago are presently advising FALN-related witnesses to keep crucial information from coming to light.

The Guild attorneys are trained by the Wall Street professionals of the Center for Constitutional Rights — William Kunstler; former U.S. Attorney General Ramsey Clark; Institute for Policy Studies founder Peter Weiss; and Arthur Kinoy, a leader of the July 4th Coalition that served as the cover for terrorist activities planned for the 1976 Bicentennial.

This core provides the legal help for all Institute terrorism.

On the center's docket for 1975 included the following cases: *State v. Carlos Feliciano* with Attorney William Kunstler; *Baader-Meinhof* with Kunstler, Peter Weiss,

and Ramsey Clark in West Germany to attempt to replace the Baader-Meinhof lawyers who were found to be involved in terrorist support activities); *In re Jack and Micki Scott* where Kunstler and Margaret Ratner successfully prevented testimony before the grand jury investigating the Symbionese Liberation Army; *In re Burns, et al.*, where there were attempts to quash grand jury subpoenas for witnesses in relation to escape tools smuggled to Black Liberation Army prisoners in New York.

Through the guild-organized National Committee Against Grand Jury Repression and parallel Concerned Churchpersons against Grand Jury Abuse, this network interfaces directly with the third level, the "outer circle" of terrorist operations that organizes public actions to give the appearance of "mass support" for terrorists.

In the FALN case, a crucial umbrella was provided by the Episcopal Church's Hispanic Commission. Two known members of the FALN — Carlos Alberto Torres and Oscar Lopez Rivera — who have been sought since police discovered a dynamite cache in their Chicago apartment, were members of this commission.

Two more commission members, Maria Cueto and Raisa Nemikin, are now in jail for refusing to testify before a New York grand jury.

The Hispanic Commission, which claims to have kept no records of where their funds were dispensed, is known to have funded hispanic projects in Chicago, Denver, and Tierras Amarillas, N.M., which have all been identified as sources for explosives used in FALN attacks.

Zombie Factories

On the fourth level are places like Lincoln Detox and the Rafael Cancel Miranda alternative school and "El Rincon" methadone center in Chicago. These function as centers where a labor pool of drug addicts is recruited and programmed through so-called political education for terrorist acts.

Lincoln Detox became a center of terrorist operations in 1970 when a coalition of Black Panthers, Young Lords, and the Revolutionary Union were organized by Institute for Policy Studies agents to stage a community takeover of the Lincoln Hospital. The entire operation was coordinated and finally approved by CIA case officer Gordon Chase, a top coordinator of the Bay of Pigs invasion, who was then head of the New York Health and Hospitals Corporation.

In 1974, the U.S. Labor Party identified Lincoln as the center for operations of the Black Liberation Army cop killers.

Methadone addicts at Lincoln are strictly segregated into black and Latin groups, put on a grueling schedule of political education classes, and drilled with nationalist belief structures. Counselors are operatives directly connected to avowedly terrorist and proterrorist groups, including Carlos Feliciano (a leader of the now-defunct Puerto Rican Nationalist Party who had been arrested in connection with bombings in New York), and a collective of doctors affiliated with the Maoist Revolutionary Union.

— Michele Steinberg

Two Policies For Italy...

IMF...Cut Public Sector Now

Italy's press this week published a letter received by Italian Treasury Minister Gaetano Stammati. The letter, which is excerpted below, is from the Director of the European Department of the International Monetary Fund, and suggests that Italy discontinue extending loans to hospitals.

Dear Minister,

We have followed closely the developments within Italy's economy. The viewpoints of those who are inside and those outside are always different. Looking at it from the outside, I am quite impressed by the progress so far accomplished towards achieving external and internal equilibrium...Looking at it from the inside, you must be so overtaken by the problems that you have little time to think about everything that has been done...Please forgive me if I mention to you a number of sectors in which I am sure that a substantial preliminary work has been done, but not completed and much less formally systematized....The area which worries me the most is the financial prospectus of the public sector. I remember that we fully agreed on the need to guarantee a fast and noticeable improvement in this field, either by controlling expenditures or increasing income...I am aware that time will be needed in order to fully achieve this objective...But I must add that I did not feel comfortable with the announcement of recent measures which will lead to new spending and that will make it more difficult for you to observe the expenditure levels set for 1977 and those needed for 1978. Measures for increasing income would be welcome, particularly along the line set forth in the letter of intent. It seems that the moment has come to prohibit health institutions access to short-term bank credits...In my opinion, a reduction of external pressure and the alleviation of the immediate political problems is perhaps the occasion to proceed with energy in those sectors...

With my best regards,
Sincerely,
L.A. Whittome
Director of International Monetary Fund,
European Department

USSR... Step Up In T-Ruble Trade

The Soviet Union has announced what the Italians have previously made public — that the use of transferable rubles for trade arrangements with Italy is already underway.

The following are excerpts from an article appearing in the Soviet weekly New Times, last month. A similar report appeared in the bulletin of the Soviet-owned London-based Moscow Narodny Bank.

... (An expanding) assessment of business relations between the two countries was made at a recent meeting of representatives of Soviet foreign trade organizations with Walter Giuseppe Maccotta, the new Italian Ambassador to Moscow, Ugo Toscano, Commercial Counsellor to the Embassy, and Niccolo Gioia, President of the Italo-Soviet Chamber of Commerce. Italy, they said, was interested in cooperation with the Soviet Union and would exert maximum effort to further it...

An even bigger role in our business relations is played by scientific, technological and commercial exchanges in the field of nuclear power development...

The Italian representative spoke of a new departure in our relations — the possibility of settling accounts in transferable rubles, the collective currency of the countries of the Council of Mutual Economic Assistance. The agreement on the use of the transferable ruble concluded by member of the International Bank for Economic Cooperation does not exclude the possibility of settling accounts in this currency with capitalist countries...

The Italo-Soviet Chamber of Commerce plans to arrange seminars and meetings in the coming months to determine the best forms of economic ties between our countries.

Andreotti Seeks Stronger Economic Ties With Saudis

"Andreotti's trip plays a very important role at this time...because it is not seen as an isolated initiative — as similar trips have been in the past — but rather it is an integral part of a strategy which will be continued with regularity, in all fields." Thus, on August 7 *Corriere della Sera* regular Mideast correspondent Dino Frescobaldi emphasized the importance of Prime Minister Giulio Andreotti's August 6-7 Saudi Arabian meetings with crown prince Fahd and king Khaled.

The uniqueness of Andreotti's trip was underlined by the top-level delegation which accompanied him which included: Foreign Minister Arnaldo Forlani, Economics Minister of the Foreign Office LaRocca, Foreign Office Mideast expert Attolico; Foreign Office Energy expert Giovanni Migliuolo, Vice Head of the Foreign Ministry Vattani and the press attaches of the parliamentary office and of the foreign office respectively, Cecogerubum and Sergio Berlinguer. All members of Andreotti's delegation were guests at the royal palace at Taif — a most unusual break with protocol. Further, the only Italian press allowed to cover the meetings were the official state news agency, ANSA and the semi-government TV network RAI-TV to guarantee only officially sanctioned press coverage of the meetings.

The Italian delegation proposed the following economic deals to the Saudi leaders:

* According to the official press release "Italy has

tried to convince the Saudis to invest in Italian industry and to direct a good-sized portion of its reserves into the Italian banking system. Among the proposals is a Saudi-Italo bank for financing industrial operations even in third countries."

* The Italian nationalized electrical company ENEL work with its Saudi Arabian counterpart, Saudi Electric Company for a Saudi-wide electrification grid as part of Saudi Arabia's five-year plan. The pro-nuclear power ENEL president, Angelini is scheduled to go to Saudi Arabia to finalize the accord.

*Italy will be involved in an integral way in three major Saudi development projects including: \$16 billion for a desalination project in Saudi Arabia; \$21 billion for natural gas exploration-exploitation in Saudi Arabia; \$20 billion for construction of industrial parks at Yambu and Yubail.

To work out the details of the joint projects, a group of Italian "technicians" will negotiate with their counterparts in Saudi Arabia prior to heir prince Fahd's trip to Italy in September. *Il Tempo*, the Andreotti-linked Rome daily, proudly announced that Fahd's Rome visit "will not be a routine visit but a precious occasion to accomplish with Saudi Arabia that 'qualitative leap' in trade and collaboration which Andreotti and Forlani went to arrange."

Iranian Cabinet Shuffle — Shah Plays Footsie With Carter

Iran's largest cabinet shakeup in 12 years took place last week — 14 ministers were replaced. Most importantly, Prime Minister Amir Abbas Hoveida, who had held the office longer than any other personality since the Shah took power, was replaced by Oil Minister Jamshid Amouzegar. The shuffle coincides with the development of strains in Iran's relations with the U.S. traditionally its strongest ally — centering around Iran's aggressive energy policy and its improved relations with the Soviet Union.

IRAN

Iran has challenged the Carter Administration's commitment to putting a lid on the development of nuclear fission and fusion power and has stepped up its direct sale of crude oil through the National Iranian Oil Company (NIOC), bypassing the consortium of multinational companies that have in the past handled the bulk of Irani exports.

According to numerous French press sources, former Prime Minister Hoveida was well known for his strong pro-European attitude toward Iran's foreign trade policy. *Le Figaro* expressed concern over the appointment of Amouzegar to the premiership, terming him "pro-U.S." French-Iranian nuclear cooperation has been pivotal to Iran's international energy drive.

In recent months the Carter Administration has used its "human rights" bludgeon against the Shah, and lately has been withholding the promised AWACS airborne radar system — a sale that had been pending Congressional approval — to try to force him into line. When the Shah told Washington last week that, in effect, it could keep its AWACS, this underscored the "growing crisis of confidence" between Iran and the U.S., as the Paris financial daily *Les Echos* termed it.

The Crisis Of Persian Bonapartism

According to a well-placed Iranian government official, the Shah has repeatedly been threatened with assassination, a threat which is known to have originated from the U.S. The Shah, like every other Third World leader, is being asked to accept policies from Washington which are from a sane economic standpoint impossible to implement. For Iran, given its fast rate of population growth and industrial development, not to mention its finite oil resources, has no other choice but to press for a nuclear-based power grid functional by 1990.

In this light the appointment of Amouzegar and nominally pro-U.S. personnel to the cabinet could well be, as *Le Figaro* reported Aug. 8, more of a cosmetic move to "create a climate of confidence" between the U.S. and

Iran previous to the Shah's arrival in Washington for talks with Carter sometime this fall.

According to an official of the International Monetary Fund, the cabinet shuffle — which had been in the wind for months — will not deter Iran from its current energy policy and will likely yield the Shah even tighter control over his complex bureaucracy. The Shah is apparently reasoning that by making gestures of complying with Carter's human rights campaign he can maintain his energy and foreign policies intact.

But the Shah is playing with fire in attempting to "appease" the bankrupt, debt-obsessed Administration.

Numerous statements have emerged both from the notorious Institute for Policy Studies and its European adjunct the Transnational Institute, the major conduits of Carter's "human rights" campaign, warning of a resurgence of tensions in Iran like the riots that swept Teheran in 1963. This human rights campaign is being used to catalyze latent unrest in Iran, which stems from serious economic problems, as a weapon against the Shah.

The End Of The Iranian Boom

Iran is currently caught in an economic crisis which has emerged out of a short-sighted spending spree to promote development following the quadrupling of oil prices following the 1973 oil hoax. Beginning in 1976, the Shah began to enact measures to slowdown the rate of growth but to date Iran still suffers from lack of basic infrastructure — its inefficient power grid, for example, has caused numerous blackouts and short-term industrial shutdowns. Iran still has a serious problem with income distribution — a touchy subject — an enormous uneducated rural peasantry and a severe shortage of skilled labor power.

The Shah has been forced to enact long-overdue measures to build massive transportation, communications and power infrastructure in a hurry — as well as to diversify his economy away from total dependence on oil income. In so doing, Iran's external relationships have taken a new turn.

Through Iran's oil and nuclear policies, it has become a pivotal link in the formation of three-way trade deals between Western Europe and Comecon. For the first time since 1973, the U.S. is no longer Iran's major trading partner, having been surpassed by Japan and West Germany. The end of the U.S.-Iranian superalliance which was the creation of Henry Kissinger, is reflected in the military arena.

During the Kissinger era, Iran was built up as the military gendarme of the Persian Gulf and the Indian Ocean, and fed billions worth of U.S. arms and advisors. But since 1976 that policy began to change. Following the controversial release of a report by Senator H. Hum-

phrey (D-Minn.) in October 1976 calling for a reexamination of the efficiency of Iran's military, the Shah immediately dispatched his Vice-Minister of War, General Toufanian to Moscow where he bought \$500 million worth of armaments, the largest Soviet sale ever.

Another critical indicator of a change in Iran's military posture took place simultaneously with a new diplomatic effort to forge unprecedented trade relations with Iran's Persian Gulf neighbors, most importantly its erstwhile regional allies, Iraq and Saudi Arabia. Just last month, Iran signed the first large trade protocol with Iraq and has begun serious talks with Saudi Arabia through the Saudi Planning Minister Hisham Nazir for economic cooperation. Such diplomacy plus the pull out of Iranian troops in Oman earlier this year indicates that the days of Persian military domination of the Persian Gulf are over. The Shah and his ruling elite have too many pressing concerns over domestic development to continue to be a military outpost for the United States.

The Fight For Nuclear Power

This week the head of Iran's Atomic Energy Organization, Akbar Etamad, met with U.S. officials including the acting head of the Energy Research and Development Agency (ERDA) Robert Frye to discuss Iran's nuclear program and to reopen negotiations for the purchase of eight reactors from the U.S. The official Iranian government newspaper Kayhan editorialized August 7 that the political strings which Carter was attaching to the finalization of the sale — which has been pending since 1975 — undermines Iran's national sovereignty. The Carter Administration is asking Iran to abandon its push for the transfer of spent fuel internationally in return for the sale. According to a Japanese

press source "the issue" of future Iranian-U.S. relations depends on the success of the sale. An Iranian official quoted in the *New York Times* Aug. 1 said, "We got them (nuclear reactors) from the Germans and the French... Why not the Americans our closest allies?" To underscore Iran's commitment to its nuclear development, Etamad spent nine days in Moscow inspecting Soviet nuclear capacity just before arriving in Washington, clearly making the Shah's often stated point that Iran can go "elsewhere" to buy reactors.

How Far Can A Bonapartist Go?

Just days before the cabinet change was announced a suspicious explosion of a pipeline took place on the Iranian-Soviet border. While no public explanation has been put forth for the blast, it follows by days the finalization of a large crude oil barter deal Iran signed with the Soviet Union, a part of a series of large barter deals Iran has signed with the East Bloc aimed at freeing Eastern European dependency on Soviet crude so that the Soviet Union can become a more active force on the international oil market. The explosion is a clear warning to the Shah that he can expect much more pressure from Carter in the future, particularly, if he leaves himself vulnerable by appeasing Washington in the way the recent cabinet shakeup indicates.

An Iranian with close ties to NIOC recently applauded the Shah's "skillfull" means of playing off the superpowers to get what he wants. But such a brand of bonapartism, given recent rumors, that the Shah is at the top of Wall Street's enemies "hit list," indicates Iran should waste no time in working with Europe and the Soviet Union to create a new monetary system.

— Judy Wyer

Will New Cyprus Crisis Follow Makarios's Death?

The death of Archbishop Makarios, President of Cyprus, leaves the eastern Mediterranean dangerously vulnerable to Carter Administration efforts to ignite a new Greek-Turkish crisis over the disputed island.

CYPRUS

The Italian daily *Corriere della Sera* has charged that "U.S. strategic interests are pushing for partition of Cyprus and a crisis in the eastern Mediterranean."

Speaking at a news conference in Nicosia on Aug. 9, the day after Makarios's funeral, Clark Clifford, Carter's personal emissary to the area, criticized the Turks and Turkish Cypriots for their "intransigence." Clifford's attack has, predictably outraged Turkey, and made it nearly impossible for the newly formed government there to make territorial concessions on Cyprus out of fear of "losing face" before the angry Turkish populace.

Makarios: The Stabilizing Factor

Only days before his death, Makarios, who maintained strong ties with both the Soviet Union and the Non-

aligned bloc, publicly endorsed a Soviet proposal to convene an international conference to settle the Cyprus problem. Ever since the NATO-engineered Turkish invasion of the island in 1974 that brought Turkey and Greece to the brink of war, Makarios's support of Soviet peace efforts and his refusal to play along with U.S. delaying tactics have been a key factor in maintaining a fragile stability on the fraction-ridden island and in the region as a whole. Last spring Clifford was dispatched to Greece, Turkey, and Cyprus after an historic meeting between Makarios and his adversary, Turkish Cypriot leader Rauf Denktas, to block any peace arrangement outside NATO's aegis. Makarios attacked Clifford for "meddling" in the region.

Soon after Makarios's death, several papers in Greece and Cyprus claimed that Makarios's "last death-bed wish" was that Cyprus cooperate with the U.S. on a settlement. According to these accounts, Makarios praised the "constructive role" of the Carter Administration, and especially Clark Clifford! *Rizospastis*, the Greek Communist Party daily, exposed this so-called "last wish" as a hoax and called Clifford's latest deployment to Cyprus a "blunt effort by the U.S. to intervene in recent developments" on the island."

Inside Cyprus, Makarios's death has created a political vacuum setting the stage for the outbreak of civil war and possible Turkish intervention. EOKA-B and EOKA-C, armed right-wing terrorist bands, are reportedly mobilizing their forces for clashes with supporters of the Cypriot Communist Party (AKEL), which commands the loyalty of 30 percent of the Cypriot electorate, and the Cypriot Socialist Party (EDEK). Both parties maintain strong ties with Moscow and were united with Makarios in a national front formation.

Should civil strife break out on the island, it is unlikely that Greece and Turkey will stand by idly. According to several news accounts, a troop buildup in Cyprus by both Greeks and Turks is already underway. Greece is reportedly sending troops to the island disguised as tourists. Turkey is proceeding with a decision to "resettle" the Turkish-held port city of Famagusta with Turks and Turkish Cypriots, dashing Greek hopes that the city would be returned to the Greek Cypriots in a future peace arrangement. This resettlement of Famagusta threatens to raise Greek-Turkish tensions to the breaking point.

Reports from Cyprus indicate that Makarios's hand-picked successor Spyros Kypriannou, AKEL leader Ezekias Papaioannou, and EDEK leader Vassos Lyssarides are working together to prevent the EOKA terrorists from exploiting the vacuum left by Makarios.

Challenging this front is Glafkos Clerides, who was acting president of Cyprus during Makarios' absence after the 1974 coup. Clerides, whom Makarios grew to distrust and removed from positions of power, enjoys his sole support from the EOKA right-wing extremists. Discredited and despised for his EOKA connections and his well-known links to NATO and the Council of Foreign Relations, Clerides suffered a serious beating in last year's Cyprus elections. Now with Makarios's death, Clerides is launching a final bid for power and is demanding that elections be held next month to prevent Kypriannou, President of the Cypriot Parliament, from ruling until what would have been the end of Makarios's term in February 1978. Despite Cypriot leftist backing of Kypriannou to maintain order, Clerides' power play has made a smooth transition of power impossible.

Carter Blackmails Karamanlis

The political situations in neighboring Greece and Turkey are by no means stable. Greek Prime Minister Constantine Karamanlis recently ratified a Defense and Cooperation Agreement which effectively reintegrates Greece into NATO, acceding to Carter's plans to turn the country into an outpost for U.S. intervention into the Middle East. Under the agreement, the U.S. has secured continued use of four strategic bases in Greece, including two vital spots on the Greek island of Crete.

Karamanlis could very well be overthrown in the backlash in Greece against the agreement. The NATO issue is an extremely sensitive one, especially because of NATO's lack of support for Greece during the Turkish invasion of Cyprus and Greece's subsequent withdrawal from NATO's military command. The mere fact that Karamanlis received nothing in return but a \$700 million loan for arms purchases contingent on U.S. congressional approval indicates the intensity of political and economic thuggery organized from the White House. The

Soviet news agency *Tass*, taking note of reports that the U.S. has been threatening to sabotage Greece's entry into the European Economic Community if Karamanlis didn't cooperate with NATO, charged the U.S. with "playing upon his (Karamanlis') bid to join the EEC, and upon Greece's dispute with Turkey."

Greek opposition leaders who have been pushing for a Mediterranean security pact and openings to the East bloc and the EEC have more harshly accused the Greek government of committing "national treason" for its capitulation to U.S. blackmail. This leaves Karamanlis with only two choices: violently suppress clashes between the right wing and the left, or risk being toppled from power.

To keep Karamanlis in line, a wave of terrorism has erupted in Greece. Spearheading the operation is ex-major Paraskevas Bolaris, the right-hand man of Greek fascist leader Ioannides prior to Karamanlis' return to power in 1974. Bolaris has escaped from his prison hospital and is still at large. Described as "dangerous and fanatical with special knowledge of sabotage and capable of hitting at any target," Bolaris may even target Karamanlis himself for assassination, according to several Greek press accounts. Bolaris, says the press, may surface anywhere in the world, with Italy and Africa on the top of the list.

Crisis in Turkey

Across the Aegean, Turkey is experiencing its own brand of turmoil. On Aug. 1, the new government of Prime Minister Suleyman Demirel was handed a vote of confidence by the Turkish parliament. The three-party coalition, composed of Demirel's Justice Party, the National Salvation Party of Islamic fundamentalist Necmettin Erbakan, and the National Action Party of neo-Nazi Alpaslan Turkes, is almost identical to the previous four-party government also led by Demirel that plunged Turkey into two years of left-right clashes that resulted this year alone in 135 deaths and hundreds wounded. Since Demirel's installation two weeks ago, acts of terror are increasing. On Aug. 5, six people in Ankara were shot down and killed in one of the bloodiest incidents this year.

Both Erbakan and Turkes are intransigent reactionaries. As Deputy Prime Ministers in the new government, both Erbakan and Turkes wield extraordinary power in the cabinet and are operating as direct agents of the U.S. National Security Council to keep Demirel from adopting a more moderate stance vis a vis Cyprus and to block Turkish collaboration with anti-Carter forces in Europe.

Also exerting pressure on Demirel is the extremist faction inside his own party led by newly appointed Defense Minister Bilgic, who is known for his pro-Turkes sympathies, and the nonagenarian former President of Turkey between 1950 and 1960, Celal Bayar. This faction is known for its strong opposition to Turkey's state-sector industrial enterprises and is pushing Demirel to cooperate with the International Monetary Fund's demands to abandon it.

The IMF, which currently has a delegation in Turkey, is calling for the Turks to impose an austerity program including the imposition of higher taxes, the end to state subsidies, and devaluation. Demirel, fearful of the public

backlash, has been reluctant to risk his political skin by carrying out such unpopular policies.

Not surprisingly, banks on Wall St. have become impatient with the stalemate situation in Turkey. With the weak Demirel government unwilling to carry out austerity, bankers are letting it be known that a military coup d'état by militarists close to former colonel Turkes would be a welcome event. However, the more traditionalist Chief of Staff Sancar and President Koruturk are waging a battle to undercut and remove from positions of power the renegade elements in the army. The focus of the fight

is the current battle around the line of succession in the army and navy high command.

According to one banker, Demirel meanwhile is madly exporting tobacco and wheat to the U.S. and West Germany to obtain badly needed foreign currency for debt repayment. The export of wheat has already led to a severe bread shortage and long bread lines throughout the country. "This is only the beginning," commented the banker. "You will soon start seeing shortages in everything."

— Nancy Parsons

Argentina: 'Shock Therapy' To Reduce Inflation

Argentine Finance Minister José Alfredo Martínez de Hoz recently announced the implementation of a series of Friedmanite "shock therapy" measures designed to reduce an inflation rate currently running at 93 percent annually.

ARGENTINA

On June 24, De Hoz announced that import tariffs would be cut, and in some cases eliminated, for 89 different manufactured foreign goods. De Hoz' "logic" is to flood Argentine markets with foreign goods in order to force the nation's produced goods to "compete" with foreign goods, driving down prices and reducing inflation. The Finance Minister explained that the price competition will only involve small and medium industries, while the "leader industries," i.e. transnationals, will stick to a price indexation system which will allow them to increase prices by only 80 percent of the value the falling Argentine peso loses with respect to the dollar. Both measures, De Hoz asserted, will control prices and therefore favor the consumer. What De Hoz did not reveal is that the new measures were stipulated in a "letter of intent" signed between Argentina and the International Monetary Fund in December 1976.

Inflation in Argentina does continue to be a serious problem, but the De Hoz-IMF Friedmanite prescriptions, far from "curing" the patient, will kill it by destroying the vital industrial base of the Argentine economy. The latest measures are a gigantic step toward concretizing

the old monetarist scheme of transforming Argentina back into the semi-feudal agricultural economy of British colonial days.

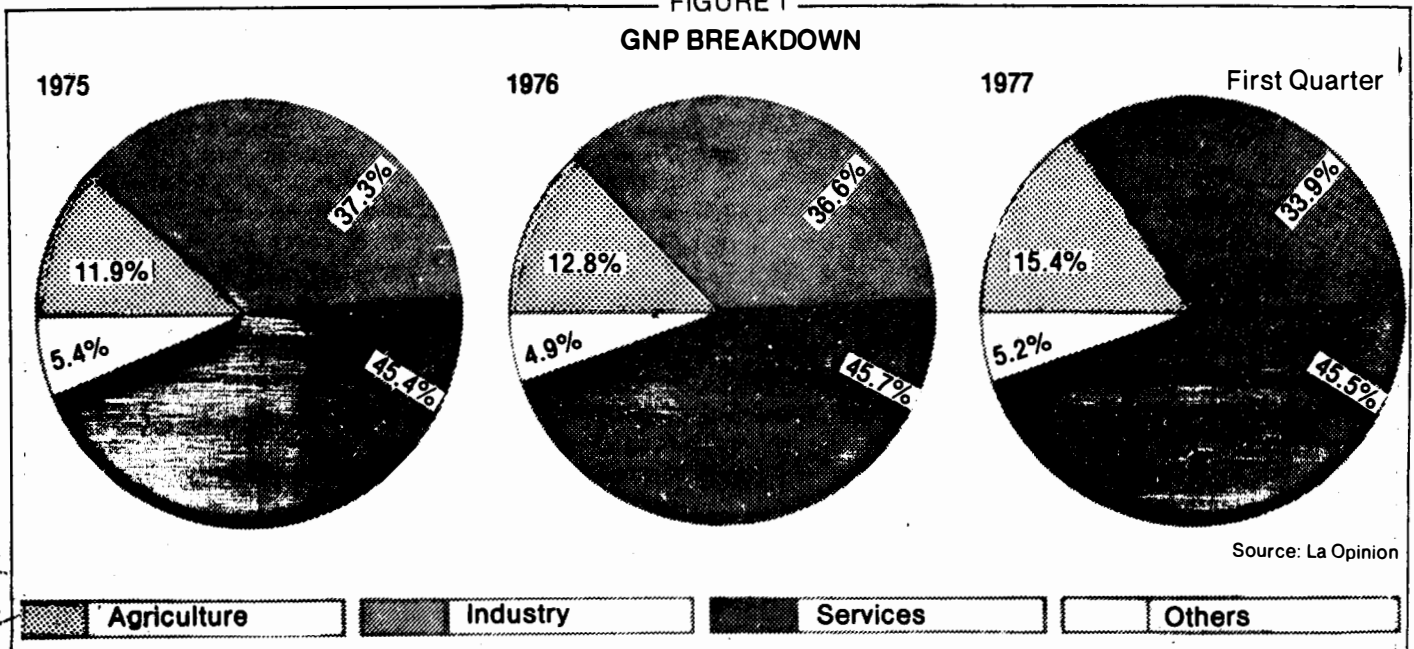
Over the last year the agriculture sector has been the only one which had government support, and has therefore been the only sector to increase its production. The monetarist de-industrialization scheme becomes clear by analyzing the GNP of the last two and a half years which shows that the increased participation of the agriculture sector in the GNP has been at the expense of industrial production (See Fig. 1). Thus, the overall GNP figure shows a slight increase of 1.2 percent during the first quarter of the current year over the same period of 1976, but the combined industrial production categories (which had fallen 6.3 percent in 1976 as against 1975) sank another 1.6 percent during the first quarter of this year.

In the battered, inflation-ridden economy of Argentina, even this slight, skewed increase of the GNP was enough for De Hoz and his bankers in the U.S. (De Hoz is a close friend of Chase Manhattan's David Rockefeller) to play up as an "economic recovery." Banking circles in the U.S. have gone so far as to suggest that if the country continues its recovery trend, it could soon become an "economic model" of recovery for the rest of South America.

But the New York banks, with heavy debts in Argentina, have a strong stake in maintaining an "aura of confidence" around the Argentine economy. Their sanguine assessment is not shared by many who are looking more towards the fundamental health of the economy. Among these latter circles, the fear is being forcefully expressed that while the De Hoz-New York banks deindustrialization program may improve the short-term pay-

FIGURE 1

GNP BREAKDOWN



ments picture, in the long run the lack of new industrial capital will leave Argentina worse off than ever. On July 10, Argentina's leading military strategist, retired General Juan Guglielmelli, expressed the sentiment of the military and nationalist industrialist circles in a stinging attack on the De Hoz-IMF austerity program. In an article written in the Buenos Aires daily, *Clarín*, Guglielmelli asked: "Could we accept an economic structure similar to that which the Second World War allies considered applying to their unconditionally-surrendered enemy?" referring to the Rockefeller circles' "Morgenthau Plan" for deindustrializing post-war West Germany. He went on to charge that the De Hoz-IMF plan is "based on the formula of Nelson Rockefeller." Guglielmelli, editor of the prestigious *Estrategia* military journal is known for his advocacy of the view that Argentina's national security requires a strong and integrated industrial capability, one that will begin to mechanize agriculture as a basis for still broader development.

The Sickness

In addition to the measures mentioned above, De Hoz has repeatedly emphasized the need to reduce the federal budget's deficit in order to control inflation, and has insisted that state sector workers be laid off to accomplish this. But a closer look shows the real problem to be more that of debt service payments than of excessive work force.

In 1976, Argentina's inflation rate reached 347.5 percent — the highest inflation rate in the world — while the federal budget deficit amounted to \$1 billion. In the first five months of 1977 the deficit rose more rapidly than expected, largely because debt payments gobbled up a full third of the budget during this period (91,138 million pesos out of the budgeted 236,546 million pesos — see Fig. 2). Not surprisingly, the money supply increased at a

FIGURE 2

Amortization of Public Debt For 1977's First Five Months (in million pesos)	
Jan.	3,199
Feb.	5,720
Mar.	7,377
Apr.	28,999
May.	45,868
Total (5 months)	91,138
Total Budget	236,546

190 percent annual rate from January to June to help meet these payments. Such printing plate "solutions" invariably lead to runaway inflation.

1977 national budget expenditures were set at \$9.3 billion, with an unofficially projected deficit of \$1.5 billion. 38.1 percent of the total budget income comes from heavy taxing of production, consumption and monetary transactions. The IMF has insisted that the total tax cut out of GNP be increased from 16 percent in 1976 to 24.5 percent this year. In the provinces, taxation has already tripled over last year.

With the public debt payments using up even larger proportions of the allocations, further cuts in the public sector are slated for all the social sectors: education, health, social welfare and so on. Already, De Hoz is demanding that subsidies be eliminated for the major utilities — Yacimientos Petroliferos Fiscales (oil), Segba (electricity), ENTel (telephone), Ferrocarriles Argentinos (railroad), SOMISA (steel) and Gas del Estado (gas) — to force them to become self-sufficient through a series of increases in public utilities rates.

Over the last two and a half years, the decreasing share of industrial production in total GNP has relatively favored agricultural production. Due to this agricultural "boom," the total GNP during the first quarter of this year showed a slight increase of 1.2 percent over the same period of the last year. (See Fig. 3.)

Because 1976 was by far the worst year for the Argentine economy in recent history, the slight recovery in the 1977 GNP is being trumpeted by De Hoz and the monetarists as a full-scale economic "recovery." However, 1977 production levels are still far below 1975's. Comparing 1977's first quarter production levels to 1975's, it becomes clear that Argentina's economy is not only still in a deep crisis but has not really effected a significant recovery. Nineteen-seventy-six's 6.3 percent drop in industrial production as a whole from 1975 levels, a fall which continued unabated in the first quarter of this year, illustrates the problem.

In agriculture, the 98.6 percent increase in grain exports shown in the first quarter of this year over the same period of last year will probably not be repeated, since a large percentage of last year's exportable grain crop is still waiting in silos for lack of buyers. Argentine agriculture officials announced, furthermore, that this year's crop will be reduced 25 percent over last year's, also as a result of the lack of foreign markets and of the low international price of wheat.

The IMF Cure

The latest measures dictated by the IMF are already having serious effects on both the agriculture and industrial sectors.

The textile industry is indicative of the kind of collapse that De Hoz' "cure inflation" measures are creating in industry. Immediately after De Hoz announced his IMF "shock therapy" measures against small and medium national industries, "La Emilia," one of the major textile plants in the Buenos Aires urban area, was forced to "suspend" 80 percent of its work force. Although the press claimed that this was an "isolated" case, the two major textile producer organizations requested an urgent meeting with De Hoz to pose to him the enormous disadvantages of the so-called "competitive" price race. They protested that since they lack modern technology and since textile production is already in a deep crisis, their goods are simply going to be squeezed out of the domestic market, not to mention the international market. In 1976, textile production barely reached to 11,800 tons, just above the 1972 low of 109,949 tons (see Fig. 4). This year, if the situation continues to worsen, a chain reaction of textile plant shutdowns is likely.

In addition to the textile industry, home appliances and shoes have also been badly hit — as have the auto parts, cigarets and the auto industry.

FIGURE 3

Rates of change variation of GNP and its components

(in percentage)

	1st Quart. 76	1st Quart. 77	1st Quart. 77
	1st Quart. 75	1st Quart. 76	1st Quart. 75
Gross Domestic Product	- 4.2	1.2	- 3.1
Agriculture, hunting, fishing, etc.	9.3	8.7	18.8
Mines and gueries	- 5.9	8.2	1.8
Manufacturing industries	- 6.7	- 1.6	- 8.2
Electricity, gas and water	4.2	4.3	8.7
Construction	-26.7	1.9	-25.2
Wholesale and Retail Trade commerce, hotelery, etc.	- 9.9	- 0.6	-10.5
Transportation and storage services	- 4.4	4.3	- 0.3
Financial entities, Insurance, Real Estate operations, etc.	5.6	- 0.7	4.8
Social and private services	1.1	-	1.1

Source: Based on data provided by the Ministry of Economy.

The cigaret industry, historically one of the strongest medium-sized Argentine industries which has had a total monopoly on the domestic market, was hit by a drastic lowering of imports tariffs from 85 to 5 percent. Under these price warfare conditions, domestic cigaret prices were unfrozen in order to allow competition with the cigaret dumping coming from abroad.

In Argentina, the bulk of the industrial production comes from such small and medium-sized industries. In 1974, 98 percent of all existing plants were classed as small or medium, employing 67 percent of the total labor force. Today that share has been reduced to 50 percent. Argentina has for several decades depended almost entirely on its domestic production to meet the population's requirements of manufactured goods, while importing only capital goods, inputs, oil, steel, etc. Now, with the dumping measures installed, local industry will not even

be able to fill that domestic market. It is this fact that Guglielmelli and the nationalists are vociferously protesting.

Other major drops in basic industrial production during the first five months of 1977 over the same period in 1975 are: 4.9 percent in coal, and 28.9 percent in auto production. Furthermore, during the first six months of 1977, crude steel dropped 3.7 percent over 1976, while cast iron fell by 16.9 percent. (See Fig. 5.) This collapse will aggravate Argentina's dependence on steel imports, which already runs at 50 percent of total domestic consumption.

The State Sector

Beside destroying national industry in order to "cure" the economy, the De Hoz-IMF forces are committed to dismantling the state sector in an attempt to reduce inflation. They claim that the major reason for the growing fiscal deficit is the enormous state workforce.

Before the 1976 military coup, the Argentine state workforce amounted to 1.6 million. Since then, De Hoz worked out with the IMF and the World Bank a massive lay-off plan — which so far has been notoriously unsuccessful. The triage plan calls for the prompt dismissal of 300,000, or almost 20 percent, of the state sector workers, plus the dismantling and denationalization of many state-owned enterprises.

The outstanding example of what the IMF is committed to do is the state-owned railroad enterprise, Ferrocarriles Argentinos, which has been the first target of the triage plan. Reportedly, this enterprise needs \$2 million per day in order to cover its expenditures. De Hoz's plan not only refuses to cover such a figure, but cuts the operating budget to the bone. The budget allocation,

FIGURE 4

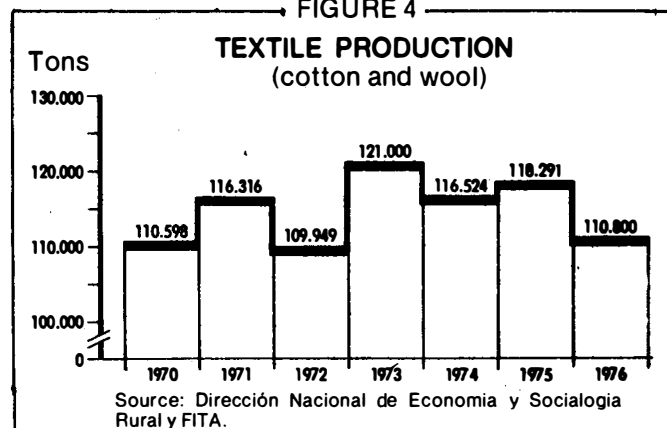
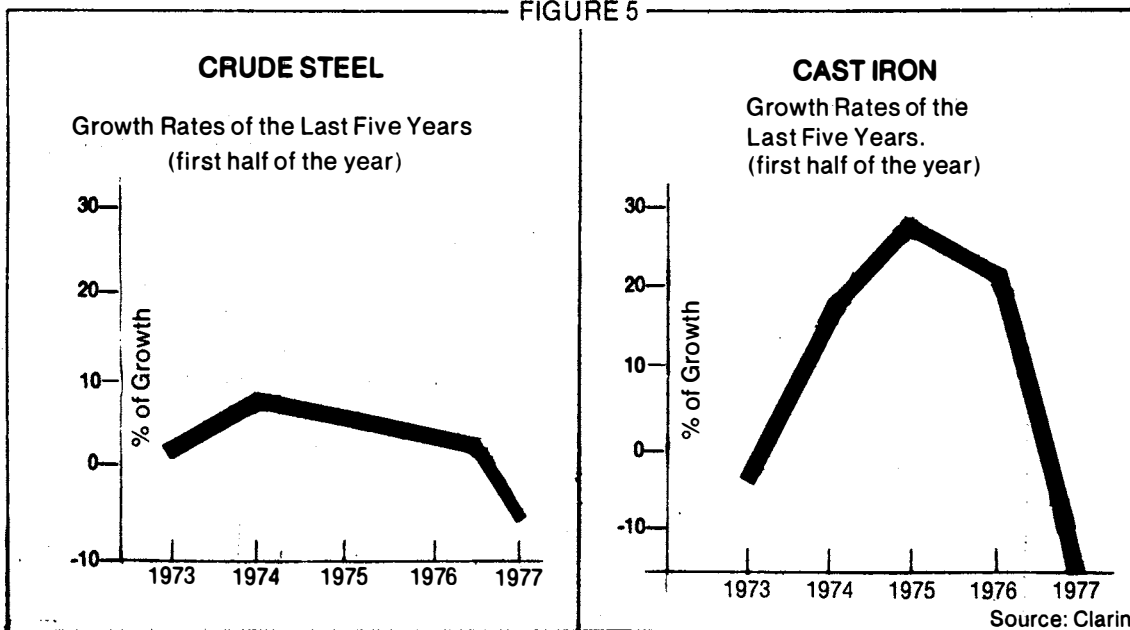


FIGURE 5



which was \$775 million in 1974 and \$555 million in 1976, will only be \$345 million for this year, a drop of nearly 50 percent in the last three years.

Along with the budget cuts, the head of the enterprise, General Tomas Caballero, recently called for 23,500 layoffs. After a six month "grace" period, these workers will be recycled into public jobs. Caballero also announced a five year plan aimed at modernizing the system by eliminating all inter-urban passenger services and using rail lines only for cargo. The purpose of these measures is to facilitate agricultural exports — and nothing else. In fact, slave labor projects to rip up 10,000 kilometers of rail are already underway.

The IMF plan also includes massive labor-recycling into decentralized works projects in the interior — once the state sector layoffs really get rolling. This was made clear by the governor of the northeast state of Santiago del Estero, who recently stated that "the vast public

works projects, mainly for roads and hydroelectric works that require 50 percent of the total provincial budget allocations, are being used to provide massive manual labor jobs and to stop the extensive emigration into the cities..."

However the increasing resistance coming from the working class and nationalist circles like Guglielmelli represent a serious threat to the De Hoz-IMF-World Bank triage plans. In February of this year, for instance, when a mere 500 railroad workers were laid off, the sector's trade union rebelled and declared the whole union to be in a "state of national emergency." When De Hoz tries to implement the full 300,000 layoffs being demanded by the IMF, massive social unrest will most likely result.

— Dolia Estévez

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