

## What Connally Really Said

*The following quotes are taken from the text of the former Texas Governor John Connally's Oct. 11 speech to Republican governors.*

"We have to appeal to the producers, to the ironworkers, steelworkers. Tell them how industry runs and how jobs are created... Over the years we have fostered dissension between labor and management while other countries fostered cooperation. Labor, management, and government are not competing. What we need is an alliance of labor, industry, and government to ensure that we have the kind of production we need...

"Nuclear energy is the only solution..."

"We have to look back to the American Revolution, to what this country was founded on... We built this country on ingenuity, inventiveness, and the proper role of government was to foster this... We live in a new era, not the era of the Marshall Plan. And the Republican Party has to enter this era."

**EXCLUSIVE**

### Connally Urges Nuclear Energy Development; Labor-Industry Alliance For Growth

*Following his Oct. 11 speech to the Republican governors, John Connally met briefly with the press. The following excerpts are taken from his responses to EIR questions.*

**Q:** The *Wall Street Journal's* Oct. 10 issue called for solving the problem of the "sinking" dollar through massive credits to gear up U.S. industrial capacity, expand hard-commodity exports; essentially go on a policy of growth until we get what we really need, a new monetary system. It would seem from your speech that the crisis you point to in the steel industry, and in agriculture would require those types of measures, including the proper institutions for ensuring credits for production.

**A:** Well, that is very interesting. I think that is clearly what we need. As I said, the depression in the metals industry and in agriculture is not just going to go away. Without more hard commodity exports, this country's economy is going to go under.

**Q:** Do you feel that the key component of a U.S. industrial expansion and export policy requires major development of our nuclear energy?

**A:** I don't think we have any other option but to go nuclear. Now, you hear a lot of talk about people saying how much coal we have got, but even to develop that we are talking about 15 years, and even then, we have not got the scale of energy we need. So, I would say certainly, we have got to go for a heavy buildup of nuclear energy.

**Q:** Many observers of the developments in the Middle

East have suggested that the only basis of actually winning a peace is predicated on economic development.

**A:** Yes, that is the only way we could do it, and it is getting to this kind of thing which is one of the biggest difficulties of the Carter Administration.... The problem that Carter has is that he does not have a coherent global strategy. He thinks you can compartmentalize the world into separate problems and separate issues and deal with each one by itself. Take what he did on this human rights business. He locked himself into making a lot of statements of human rights, but the Soviets did not understand what he was saying. The Latin Americans didn't understand what he was saying. It was counterproductive and hurt our relations with numbers of existing and potential allies, particularly in South America.

Then, on energy Carter came out with a program that just created a shock in the nation and was not an energy program; it was a tax program. It was a wealth redistribution program. And the way it looks now is that we are not going to have *any* energy program because he is not going to get it through in Congress. Now he is going to come up with a tax program and that is just going to create another shock. He is not going to get it through either.

**Q:** Governor, I assume from your other remarks you would say that what is missing is a proper sense of real national self-interest and the ability of the U.S. to foster the self-interests of other nations around the question of economic development?

**A:** Sure, I think that is right. If we start gearing up this country for what it should be about, which is producing more and producing more cheaply than any other country in the world, then we can go to any country with a sound basis for assuring their taking down any narrowly restrictive conditions and opening up global markets to American goods.

**Q:** A number of circles in this country as well as in Europe are discussing a two-tiered credit policy of extensive low-interest credits for hard-commodity industrial and agricultural production and prohibitive interest rates on speculative activities. Do you feel that is a necessary measure for the kind of industrial development you are proposing?

**A:** Hell, the Europeans have got their snake haven't they? They want to stay with the snake, well so be it. But what you are talking about would be solved if we had more equity in the exchange rates.

**Q:** The exchange rate question would be merely an abstract answer. The problems of reorganizing the monetary system and of providing the monetary basis for a hard-commodity, hard-credit policy would still be needed.

**A:** There is no question but that the dollar and the economy will go nowhere without our building up production and getting the world markets... To get that done politically, we are going to have to talk about an alliance of labor, industry, and government. That means we are going to have to get more cooperation between labor and management around solving the problems of how industry really works and how you actually create

jobs. The producers of this country understand this. When I was in Pittsburgh, I talked to the steelworkers; I talked to the ironworkers. They understand what I am talking about. We have to make industry more efficient; we have to make agriculture more productive. That means we are going to have to invest in new machinery and equipment to do it.

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## What Other Papers Said He Said

*The Baltimore Sun:* The white-haired Texan... told the governors that national issues such as the Panama Canal had no effect on their futures... said the American steel industry is in difficulty because its foreign competitors receiving help from their governments place it at a disadvantage... declared 'the future of the Republican Party lies with the producers of this country.'... declared, 'We can't promise anymore than the Democrats can,' and said the best service Congress could perform would be to convene Jan. 20 and adjourn Jan. 21 and

leave the American people alone.'

*The New York Post:* John B. Connally says South Africa has become an armed nuclear power as a result of trading with Israel...

*The New York Times:* His broad-based assault on Mr. Carter's foreign and domestic policies brought the several hundred Republicans... to their feet, applauding... Mr. Connally said he would decide this weekend whether to go ahead with plans to form a political action committee to raise funds... on behalf of Republican congressional and gubernatorial candidates in the 1978 elections...

*The Washington Post:* Connally's suggestion that GOP candidates concentrate on issues of state interest, such as prisons and welfare programs, and stay away from national issues, such as the Panama Canal treaties... 'I don't know why any governor, unless he wants to pick a fight, needs to get involved with the Panama Canal,' said Connally.

# Schlesinger Organizes For Oil Embargo And Energy Dictatorship

Energy Secretary James R. Schlesinger returned to Washington this week after his unsuccessful bid to force Western Europe to bend to his no-energy dictates, to blackmail the United States into accepting its own destruction. In this capacity, Schlesinger emerges as the chief operative, along with other Cabinet members, in the City of London-Lazard Freres operation to destroy the U.S. economy and dollar. Schlesinger's primary weapon is to incite an Arab oil embargo and if, necessary, a Middle East War.

Within hours of his arrival in Washington, the Energy Secretary made clear through reports to the *Washington Star* that he intended to force passage of the Carter April 20 energy program which the Senate has left "in shambles." En route from Europe, Schlesinger had told reporters that his strategy for salvaging the program "is a Chinese water torture. We decide what is right and then stick to it."

The next day, congressional sources report, he emerged on Capitol Hill to circulate the lie among Congressmen and their aides that European leaders would "bolt from the dollar" if his no-energy program is not adopted.

At the same time, Sen. Edward Muskie (D-Ma.), chairman of the Senate Government Affairs Committee, joined by Sens. Sasser (D-Tenn.), Glenn (D-Ohio), and Roth (D-Dela.) are preparing legislation required by Schlesinger to enlarge his already broad emergency powers. They will propose to extend indefinitely the

Natural Gas Emergency Act which was passed last winter and expired in August, giving Schlesinger the power to allocate natural gas as he sees fit.

### *Squeeze On Carter*

The Energy Secretary's high pressure tactics were not limited to Capitol Hill. On Oct. 13 at his weekly press conference Jimmy Carter, who has conspicuously refrained from intense lobbying for his energy program since its passage through the House, suddenly issued a vehement attack on the oil and gas industries for the sabotage of his energy program. Carter charged the companies with "potential war profiteering" and claimed that oil companies were intent on staging "the biggest rip-off in history." Congressional offices report this line was conducted into the White House by James Schlesinger.

The President also warned that gasoline rationing and an import tax of foreign oil — both first proposed by Schlesinger, were among the alternative actions he would take if Congress failed to pass acceptable legislation.

Carter's sudden shift was induced by Schlesinger and Vice President Walter Mondale who, according to sources, had pressured Carter to believe that his future political credibility was dependent upon his "saving his energy program" through a populist attack on the oil industry. This inside job was aided by continuing attacks in New York-linked media on Carter's "weaknesses" on