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# EXECUTIVE INTELLIGENCE REVIEW

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# EXECUTIVE INTELLIGENCE REVIEW

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# EXECUTIVE INTELLIGENCE REVIEW

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## IN THIS WEEK'S ISSUE —

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On election day U.S. voters rejected the **zero-growth** policies of James Schlesinger and his factional allies... a **mandate for industrial growth and nuclear power** development that hit directly at the Administration circles most directly associated with the package of **environmentalism**, terrorism, **dope-pushing**, "public works" slavery, and **vote fraud** that complements the no-energy, no-industry line... This week's **U.S. REPORT** presents an analysis of the election returns that shows state by state how this mandate was expressed... where it was **prevented by fraud**... the **crucial role of the U.S. Labor Party**... and how attempts by the Republican National Committee in particular to **shut the Labor Party out of key races** led to the **defeat of Republican candidates**...

\* \* \*

But bankers meeting in Switzerland agreed on a **dirty deal** that will **perpetuate the world's trade collapse**... forcibly holding the depressed U.S. economy **under the sway of Schlesinger's program** and of the Anglo-American financiers that back it... U.S. Labor Party chairman **Lyndon H. LaRouche** writes from Europe a harsh critique of the Bank for Inter-

national Settlements meeting as a piece of "**astonishing cretinism**"... explains "**The Schlesinger factor**"... in "**The Basel Washerwoman's Cartel**"... see this week's **ECONOMICS** section... together with a background report on the **currency markets this week**... **Japanese reactions** to the currency chaos... European moves for a new monetary center in **Luxembourg**... and a **special report on the Canadian economy** that demonstrates how that country's economic future is inextricably linked to that of the U.S. ...

\* \* \*

The bankers' cretinism in Basel... and the failure of too many Republican and other U.S. pols to go after the Schlesinger line... has given the City of London and allied Wall Street forces the opening to destroy the motion by Western Europe, the Soviet Union, and the U.S. for **peace in the Mideast**... The **Israeli attacks on Lebanon** signal a hell-bent-for-leather push for all-out Mideast war... that is intended to **prevent U.S.-Soviet consensus** on broader issues of detente... and **strengthen the position of the Schlesinger faction** in the U.S. and internationally... Our **INTERNATIONAL** report this week puts it all together... analyz-

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ing Egyptian president **Sadat's public turn on Geneva... the Israeli reaction... and the implications for the Arab world... including an exclusive report on Syria...**

\* \* \*

From the U.S. end, the task of sabotaging peace has been put in capable hands: those of **Henry Kissinger**... Even though the event was closed to the press, our **U.S. REPORT** has obtained excerpts from Kissinger's treasonous speech to the World Jewish Congress... and Labor Party chairman **LaRouche dissects the Kissinger phenomenon** in terms of the economic realities that shape it, in "**Elephants and Nebbishes**"... Plus interviews and surveys on the latest moves to wreck **SALT**... see **U.S. REPORT**...

\* \* \*

Our **ENERGY** report takes up that side of Administration policy which is pushing for energy austerity...including an exclusive on what President Carter's veto of the Clinch River breeder reactor **really means**... some highlights from congressional debate on the

breeder issue... and the plans afoot for a "**May 1968**" protest upsurge against nuclear energy...

\* \* \*

A first-hand look at the way the **factional wars behind the Great Chinese Wall** are making their way into the press... in **ASIA** this week... a comprehensive survey of how Mao's policies are now coming under fire, and what sort of programs are being proposed to replace them... that hints at the **other side of China's war-mongering foreign policy**...

\* \* \*

Will Puerto Rico be the next **Northern Ireland**? A wave of terrorism on the island is intended to spread to the **U.S.** ... A special report in **COUNTERINTELLIGENCE** this week tells you **who's behind it, and why**... featuring **exclusive interviews** asking some "**noted liberals**" why they want **terrorists in U.S. jails let out**... and a **detailed chronology** of the reign of terror in Puerto Rico that you'll read nowhere else...

INTER-NATIONAL

U.S. REPORT

ECONOMICS

ENERGY

LABOR

COUNTER-  
INTELLIGENCE

EUROPE

ASIA

# Israel Bloodies Lebanon To Wreck Sadat's Geneva Gambit

A delicate diplomatic gambit by Egypt's President Anwar Sadat has raised hopes of a reconvened Geneva conference on the Middle East, pending the all-important meeting on Nov. 12 of 21 Arab foreign ministers in Tunisia. An Arab consensus at Tunis, according to most observers, could clear the way for an early Geneva conference.

But this week's bloody explosion in Lebanon, in which over 100 Lebanese—mostly civilians—died in the most intense Israeli bombardment in two years, threatened to disrupt the hopes for Geneva and even raised the possibility of Israeli-Syrian armed clashes leading to a fifth Arab-Israeli war.

The Lebanon crisis abruptly ended a truce in southern Lebanon that had begun on Sept. 26 with the withdrawal of Israeli military forces from Lebanon and the agreement of Israeli Premier Menachem Begin to a U.S. proposal. The truce cleared the way for the historic Oct. 1 joint U.S.-Soviet statement endorsing the "rights of the

Palestinians." Since that statement—generally thought to be part of a broader Middle East-SALT-human rights "package" between Washington and Moscow, mediated by France—was issued, the U.S. "Israel Lobby," Sen. Henry Jackson, and associates of former Secretary of State Henry Kissinger have worked to undermine the package. This is the context in which the Israel raid on Lebanon should be seen.

## *Sadat's Gambit*

In a widely publicized speech before Egypt's National Assembly on Nov. 9, Sadat stated that he was willing to accept "any procedural conditions Israel wants" to get a Geneva conference underway. With Palestinian Liberation Organization chairman Arafat sitting nearby, Sadat said that the PLO "is the sole representative of the Palestinian people" and added: "When I go to Geneva, Israel will not be able to stop me from demanding the liberation of the occupied territories, the recovery of Palestinian rights, and their right to set up an in-

## Sadat Wavers On Geneva

*The following comes from an interview with Arab television by Egyptian President Anwar Sadat on Nov. 4. These excerpts illustrate Sadat's political flip-flopping. On the one hand, he is endorsing a tactic certain to ensure an indefinite delay in reconvening Geneva peace talks (the formation of a "working group"), while at the same time he recognizes that any postponement of the conference threatens the security not only of the Middle East, but of Western Europe, the East bloc, and the U.S. as well.*

As long as the Geneva conference is a means to achieve a lasting peace, then careful preparations must be made for it. What I mean by careful is the old term I used during (Secretary of State) Vance's first and second visits — the formation of a working group to prepare a paper that will serve as the basis of the Geneva conference....Proper preparation, in my opinion, is the setting up of a working committee, which I proposed previously, to prepare a paper so that we meet in Geneva on the basis of this paper and not in a vacuum.

The issues of the world are in fact interrelated. No one can any longer live in isolation from the rest

of the world or to pull a curtain around himself. For instance, in Romania, while we were discussing the Middle East problem, we were discussing at the same time European security, the Helsinki conference and the conference which is now in session in Belgrade. We cannot separate Europe's security...from the Middle East problem. The Middle East problem, or rather the security of the Middle East, is an indispensable and vital part of European security. Hence, my discussion in Romania with my friend (Romanian President) Ceausescu covered all problems, including European security, on the basis that all these problems are in fact one problem.

As far as Iran is concerned, the Arab-Israeli conflict is not a local one which concerns the Arabs. The Shah of Iran is our brother and partner in the Middle East. The Arab-Israeli conflict is part of his problems because he lives with us in the Middle East. This was the reason for my visit to the Shah.

Peace is indivisible in the world. Not only Europe's security but also U.S. security and the Soviet Union's security depend on the security of the Middle East.

dependent state.”

Although he did not say so directly, it was widely thought that Sadat's insistence on ignoring procedural obstacles to Geneva in favor of issues of substance meant he was willing, with Arab approval, to go to Geneva without the presence of the PLO. Israel has emphatically stated that it would not attend Geneva with the PLO present, and therefore, Sadat is seeking an Arab consensus for a “unified Arab delegation” at Geneva, with Palestinians included, to meet Israel's objections to the PLO.

President Carter and Secretary of State Vance both endorsed the Sadat statement as a potential breakthrough in Middle East peace talks. Carter said that he hoped that Syria, Jordan, and Lebanon would back up Sadat, and Vance said bluntly—almost echoing Sadat—that it would be “a tragedy if the remaining differences over procedures were to thwart the opportunity” that now exists for peace. Carter urged Arabs and Israelis not to “quibble” over procedures.

The question that remains to be decided at the Nov. 12 Arab Foreign Ministers' meeting is whether or not Syria and the PLO will agree to work with Egypt on this approach. A great deal of bitterness exists between Sadat and Syrian President Assad over regional issues, since Sadat, under Henry Kissinger's guidance, agreed to the 1975 Sinai Pact that isolated Assad and set into motion the bloody Lebanese civil war.

Some suspicion obviously remains. Only last week, Sadat was crusading *against* the Geneva conference, hinting darkly that Egypt did not feel that it could be convened, which won him the praise of Israel's advocates of a return to the step-by-step approach (including the *Jerusalem Post*; see below). If Sadat is lying this time, then it is widely suspected that Egypt might use the breakdown of a Geneva conference, and the resulting crisis, to slip back into a Kissinger-style format.

But the chief factor militating against that possibility is the reported insistence of the Saudi Arabians on an overall settlement. As reported below, there is virtual unanimity that under no circumstances would Saudi Arabia, who pays Sadat's bills, accept a return to step-by-step diplomacy.

Part of the reason for Sadat's apparent shift on Geneva comes from the dizzy pace of international contacts with Egypt. In the space of little more than a week before his speech, Sadat visited Romania, Iran, and Saudi Arabia; talked with Assad, Jordan's King Hussein, Saudi Oil Minister Zaki Yamani, Syrian Air Force Commander Naji Jamil, PLO Chairman Yasser Arafat, and other Arab leaders. Meanwhile his foreign minister met with Iraqi Foreign Minister Hammadi and set a date for a visit to Egypt by West German Chancellor Helmut Schmidt on Dec. 21. In addition, Egypt's chief of staff arrived in Romania on Nov. 8.

## Sadat Speech Easing Israel to Geneva?

*A European diplomat, knowledgeable in Middle East politics, had this assessment of Egyptian President Anwar Sadat's Nov. 9 national address.*

My strong feeling is that Sadat worked out the statement beforehand with the PLO, the Syrians and the Jordanians. All three had representatives there when the speech was made and Sadat spoke to all of them before the speech was delivered. I also think Carter is supporting Sadat's ideas as contained in this speech, and that the Soviets, while strongly anti-Sadat personally, are supporting the posture Sadat assumed in the address. Both the U.S. and the Soviets concur with Sadat's expressed intention to get things going to Geneva as rapidly as possible.

Tactically, I think Sadat's game is to get the Israelis to make concessions, by putting out the line that the PLO as such won't be at Geneva. This is to get the Israelis toward the position of softening up on the actual content of the Palestinians at Geneva—basically to endorse in some fundamental way the PLO's ultimate right to have control over which Palestinians are at Geneva. So, we can assume that Sadat was throwing out a trial balloon, to ease up Israel's insistence on veto power on Palestinian representation at Geneva. If the PLO won't be at Geneva, they'll have a say in who will be there, and this will represent the contours of a general compromise. So it is hoped.

**EXCLUSIVE**

## The Step-By-Step Conspiracy

Counting on the early collapse of chances for a Geneva Mideast peace conference, key policymakers in the U.S. centered around Henry Kissinger and their Israeli Labour Party counterparts—including Moshe Dayan, the ex-Laborite current Foreign Minister—are trying to force the Mideast situation back on a track toward a separate Egypt-Israel deal modeled on Kissinger's 1975 Sinai Pact.”

The central operation of this policy-intelligence nexus was the escalation in southern Lebanon this week. Israeli planes carried out the most extensive bombardment in Lebanon in two years, killing or wounding over 100 people, in retaliation for a series of shellings of Israel

border towns by the so-called “rejection front” of the Palestinian movement. Since the “rejection front” is heavily penetrated by agents of Dayan, this week's Lebanon events clearly bear the marks of Kissinger's attempts to knock Geneva off track and forcefully reintroduce a step-by-step orientation.

Tactically, such a policy course necessitates direct threats at Syria, which is insisting on an Arab hardline on PLO participation at Geneva. Significantly, Israeli Chief of Staff Mordechai Gur blamed the Palestinian bombing of Israel on *Syria*. Gur's Israeli allies want Syria to back off from opposition to a separate Egypt-Israeli deal.

Before and after the Lebanon escalation, a host of

Israelis have pushed the step-by-step line. Most important, Dayan on Nov. 9 told an Israeli audience that Egypt was Israel's only "worthwhile interlocutor" in peace talks, and that a deal with Syria "of whatever kind" was out of the question. According to the Nov. 10 *Le Figaro* of France, Dayan was clearly referring to "a new Sinai Pact."

In the U.S. this week for a visit that included meetings with Vice-President Mondale, National Security head Brzezinski, and Secretary of State Vance, ex-Defense Minister Shimon Peres declared to reporters Nov. 10 that "at the earliest" Geneva would have "a fair chance" to reconvene "in the first part of 1978." According to the *Washington Post*, Peres identified Syria as the "core of the procedural problem," and raised the possibility of "having a conference with an 'empty chair' for Syria."

On Nov. 7, in a speech before the British Zionist Federation carried by the Jerusalem Domestic Service, former Israeli Foreign Minister Abba Eban called for a "return to a step-by-step approach" in the Mideast.

On the U.S. side, the escalation to sabotage Geneva was signalled by Kissinger's manipulative speech on "Jewish survival" before the World Jewish Congress Nov. 3. (See U.S. Report) At that time, Kissinger attacked the fundamentals of the Carter Administration's Geneva diplomacy. It was hardly surprising that the next day's *Washington Post* editorialized that "a respectable case can be made that the time is not yet ripe (for Geneva) and that the proper course is to pick up the Kissinger step-by-step approach in search of new and strictly limited disengagements."

According to John C. Campbell, Mideast policy adviser for the Council on Foreign Relations in New York, if an "Arab schism" occurs in the next days and a "real breakdown on the Arab side" develops, with "an inclination on Egypt's part to go back to separate accords," the U.S. "would welcome this — if the Saudis backed it. But," Campbell concluded, "we don't want to alienate the Saudis."

\* \* \*

### *Jerusalem Post:* 'To Geneva And Back'

*The following is the lead editorial of the Jerusalem Post's Sunday, Nov. 8 edition.*

THE URGENCY accorded by President Carter and Prof. Brzezinski to the convening of the Geneva Conference before the end of this year and the declared strategy of aiming for a full peace agreement between Israel and the Arab confrontation states has been based

to no little degree on Arab warnings that the alternative to Geneva would be another war.

The trauma of having to face another Middle East war is further heightened for the Americans and their European and Japanese allies by the implied warnings that such a war would be accompanied by an economically catastrophic Arab oil boycott.

The danger inherent in this gamble of going for broke on the Geneva card is that these blustering threats which are part of a war of nerves may well turn into an unavoidable self-fulfilling prophecy. Even Arab leaders who are realistically reluctant to engage in another Middle East war in which their countries may suffer vast destruction due to Israel's military superiority, may find it politically impossible to back down if an when Geneva fails to live up to the unrealistically high expectations which have been attacked to it.

The possibility of such a tragedy is not so far-fetched, for even the most enthusiastic American proponents of a Geneva peace conference admit that the chances of its success are highly questionable. The argument adduced for going to Geneva, despite these patent dangers, is that not going there would be even more fraught with peril for Middle East stability and for the flow of Arab oil to the West.

Israel's recognition of the dangers inherent in an approach to reach a full and overall peace agreement to the intractable Arab-Israel dispute has been given expression in its undisguised preference for alternatives to Geneva. Foreign Minister Dayan reiterated this preference in his speech last week at Ben-Gurion University at which he suggested that the alternative to a failure to achieve full peace at Geneva need not be war, but a return to a quest for partial agreements.

There was some indication at the outset of Secretary of State Vance's tour of the Middle East in August that Egypt too would prefer such an approach. But President Sadat's agreement to proximity talks to prepare the way for Geneva was nipped in the bud by the opposition of President Assad of Syria and the Saudis.

Anwar Sadat's renewed attempt to revert to what would seem to be a revival of the proximity talks idea and his warning against rushing into an ill-prepared Geneva conference is a welcome return to a sense of realism.

The key to developments in the Middle East continued to lie in the hands of the Saudis and although Sadat was speaking to Egyptian journalists on a flight from Saudi Arabia to Cairo, it is as yet not clear whether he was also speaking for Riyadh.

Nevertheless, the impasse in regard to Arab attitudes to the Carter-Dayan working paper, and Mr. Dayan's and President Sadat's trial balloons of last week, would seem to provide a welcome opportunity for an American reassessment of its strategy for achieving peace in the Middle East.



EXCLUSIVE

# Saudis Focus Arab Unity Moves, Push For Geneva

Over the past week, the Saudi Arabian government has thrown its substantial weight behind a policy of rapid stabilization of the Middle East situation through the convening of a Geneva peace conference on the Mideast with adequate representation for the Palestine Liberation Organization.

This Saudi attitude has held the Arabs — possibly including the Egyptian government — firm against any new-Kissingerian “step-by-step” moves in the Middle East and has raised hopes of a unified Arab position on Geneva emerging out of the crucial Arab Foreign Ministers meeting in Geneva Nov. 12.

The most noteworthy recent indication of the Saudis' attitude was a statement made by Foreign Minister Prince Saud in an interview with Beirut's *An Nahar* newspaper that “we are not among those Arab states who believe that the U.S. holds all the cards” to a settlement in the Mideast. This decisive slap in the face to Egypt's President Sadat — who has constantly expounded the notion — has shocked U.S. policy-making circles hoping to win Saudi support for a separate Egypt-Israel peace.

Saud's statement earlier this month was followed by his announcement that he was convening a first-ever meeting of the Saudis' ambassadors to western Europe to reappraise Saudi Arabian policy toward Western Europe — likely to initiate a Mideast peace offensive in Europe and to commit Saudi financial and energy wealth to the defense of financially beleaguered European governments.

The urgency behind this initiative was stressed by Saud during a Nov. 8 meeting in Riyadh, Saudi Arabia, with Belgian Foreign Minister Henri Simonet. If Israel maintains its diplomatic intransigence and Geneva momentum is not maintained, Saud warned, then war could become “inevitable.”

The Saudis' intent in these diplomatic moves is to maintain climate in the Middle East that will allow them to organize for a very low oil price rise at the Organization of Petroleum-Exporting Countries (OPEC) meeting in late December; hence the desire to have Geneva reconvened by then. Oil price stability is for the Saudis the crux of supporting the dollar and avoiding an early collapse of the entire international financial system because of the unmanageability of the Third World debt situation.

The Saudis are receiving important international back-up from primarily the French and West Germans in Western Europe, from the Soviets — who this week deployed top Mideast diplomat Sytenko throughout the Mideast to keep the Geneva process rolling — and from the U.S. “Harriman” faction intent on developing a relationship of detente with the Soviets. In the Arab world, the French- and the Soviet-backed Syrians are a mainstay of a unified Arab position for a Geneva conference.

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## “The Saudis Have Thrown Down The Gauntlet”

*A Senate Foreign Relations aide has these comments on the questions about Egyptian and Saudi policy posed by a recent Jerusalem Post.*

I can tell you with absolute certainty that the Saudis have told Egypt: No separate deals with Israel. They're threatening to cut Sadat off from aid if he goes that route. They've thrown down the gauntlet. The State Department has been considering the possibility of reverting to some form of step-by-step until the Saudi Foreign Minister arrived in Washington last month. He really laid down a tough line, and that has been the Saudi position ever since. To put it simply: a separate Egypt-Israel deal is out of the picture.

The Saudis are not prepared to go to Geneva without the PLO being there. You can safely report that the Saudis are in the Syrian camp on this question.

So the Egyptians aren't the major factor in diplomacy at this point — Sadat has to go with Saudi Arabia, and the Saudis aren't prepared to endorse any Kissinger-type deals.

The Saudis and Egyptians, you see, have different objectives. Basically, the Saudis have broader aims in mind, they have certain global type interests and some regional concerns that are paramount such as the return of Jerusalem to the Arabs. All in all, they have no interest in a separate deal, unlike Sadat who just wants territories back, has more limited objectives. But Sadat can't move toward a separate deal under these circumstances.

\* \* \*

*In a recent interview a State Department analyst concurred that Saudi pressure was increasingly making any Egyptian “separate deal” with Israel an impossibility.*

Sadat has lately been implying a willingness to get it alone with Israel. At least, he is *threatening* to go it alone to force the other Arab states into line with his negotiating positions. But I really have strong doubts that he can go it alone, since the Saudis would probably cut off aid to Egypt if he did.

The Saudis are against an Egypt-Israel separate accord, that creates too many problems for them. They want the Arab-Israeli crisis in its entirety settled, and if Sadat went the separate route that would just destabilize the moderate regimes that the Saudis want to keep intact in Syria and Jordan. So a separate deal might help Sadat, but not motion toward an overall settlement.

EXCLUSIVE

## Inside Syria:

# Lebanon Is Still The Issue

The Israeli attacks on southern Lebanon this week served as a grim reminder to the Syrian population and armed forces that, two years and more after the start of the Lebanese civil war and long after the Syrian military intervention into Lebanon with 30,000 troops in 1976, peace is not yet at hand. For Syrian President Hafez Assad, who staked his career on his move into Lebanon, continued instability there may yet provoke an army coup d'état. For this reason, and under Saudi guidance, Assad has been seeking with some urgency to stabilize southern Lebanon and to reestablish his credentials as the main ally of the Palestine Liberation Organization, whose forces the Syrian Army fought in pitched battles during the war.

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### SYRIA

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In recent months, Assad's Syria has emerged as the chief Arab spokesman for the reconvening of the Geneva conference with the presence of the PLO or its designated representatives. Assad and other Syrian officials have bitterly attacked any sign — including those from Anwar Sadat's Egypt — that there might be a return to step-by-step diplomacy of the sort that, under Dr. Kissinger's manipulative hand, isolated Syria and forced Egypt into the Sinai Pact in 1975. Last week, Syrian Prime Minister Khleifawi said that Syria "will not accept a Kissingerian-type of policy."

Backing Syria in its position in support of Geneva and the PLO, for convergent reasons, are both France and the Soviet Union. Both countries, it seems, are not relying merely on their diplomatic representations at the Syrian presidential palace, however, but are making use of longstanding networks and agents of influence within Syria to make sure that Assad follows the straight and narrow.

But there are signs that a potential domestic political crisis in Syria may not be far off.

According to the French newspaper *Le Matin*, two competing factions have recently emerged within the Syrian military. The first is led by Rifaat Assad, the president's brother, who commands the special forces, an elite squad stationed just outside Damascus. Rifaat Assad has a well-deserved reputation as a gangster and thug, and is widely known to be a business associate of Tony Frangieh, the son of former Lebanese president

and a leader of the ultra-extremist right in Lebanon. During the Lebanon war, when President Frangieh ruled the country, Rifaat and Frangieh worked together, and it was Rifaat who oversaw most of the military operations in Lebanon.

The second faction is reportedly led by Ali Haidar, an important army commander, who is linked to Deputy Defense Minister Naji Jamil. Jamil, in turn, is a close associate of Syrian Chief of Staff Hikmat Chehabi, who was reportedly placed under house arrest during the war in Lebanon for opposing the Syrian intervention against the PLO. Chehabi, Jamil, Haidar, and perhaps Foreign Minister Khaddam — who was almost assassinated last week in Abu Dhabi — represent a group that might be called the Syrian military "establishment."

This "establishment," according to a source at the State Department, is opposed to the Rifaat Assad faction. "They think that Rifaat is 'proregime,' and not pro-Syria," he said. *Le Matin* reported that the rival units of Rifaat and Haidar almost engaged in a military clash near Damascus in the recent past. It was also this "establishment" that, according to several reports, was the center of the opposition to Assad's Lebanon policy last year. From *New York Times* reports and elsewhere, it is clear that, to a large degree, the Syrian Army is pro-Soviet as well.

To avoid losing the support the Army, fatal to any Arab leader, it is even rumored that Assad may dismiss or demote his gangster brother. A widely publicized Syrian campaign against corruption, begun last August, eventually targeted Rifaat Assad's associates in particular. The handwriting is on the wall.

Interestingly, the present prime Minister, Khleifawi, was installed by Assad in September 1976 in the wake of the massacre at the Tal Zaatar Palestinian camp by Falangist militiamen — backed by Syria. The revulsion Syria to the reports of that butchery might have toppled Assad, and it is thought that he named a traditionalist military man like Khleifawi to placate the Army which was on the verge of revolt.

Now the Jamil-Chehabi-Khleifawi group may be pushing for a reconciliation between Iraq and Syria, for years bitter enemies. Recently, Khleifawi said that Syria would welcome a rapprochement with Iraq — virtually the same day that Syrian Defense Minister Tlas called for the overthrow of the "murderous regime in Baghdad!" PLO Chairman Yasser Arafat recently spend a day shuttling between Damascus and Baghdad in an effort to ease the differences between the two countries.

# U.S. Voters Say No To Zero Growth

State and municipal elections held Nov. 8 served as a platform for voter rejection of the zero-growth energy policies put forward by James Schlesinger, Walter Mondale, and sections of the Republican National Committee. In local races where vote fraud operations were not wholly in control, the U.S. Labor Party campaigns and the party's programmatic influence transformed these "off-year" races into nationally significant victories for industrial growth and energy development over austerity and conservation.

## U.S. ELECTIONS

An analysis of key races nationally reveals that wherever the Labor Party's program for nuclear power and a Third National Bank for industrial credits dominated the race and was embraced by either the Democratic or Republican candidate, that candidate was victorious. Wherever a candidate who potentially represented opposition to the deindustrialization policies associated with Mondale's backers rejected a programmatic alliance with the Labor Party—as in the case of New Jersey GOP candidate Ray Bateman—the chosen candidate of Walter Mondale was swept into office.

In addition to giving an obvious mandate for nuclear energy development, U.S. voters also rejected efforts to install terrorists in the city councils of Hartford, Conn. and Seattle, Wash. Significant gains were also made against election rigging with the popular defeat of referenda for same-day and postcard registration in Ohio and Washington.

*Below, the Executive Intelligence Review presents spotlight coverage of several import races.*

### BUFFALO

#### CASE STUDY OF A WINNING STRATEGY

The Buffalo mayoral race involved the dramatic comeback of Democratic State Senator James Griffin, who won as the Conservative Party candidate after his stinging defeat by counterinsurgent Democratic State Representative Arthur Eve in the fall primary. Griffin's victory over Eve's election-fraud apparatus was largely due to the campaign of the Labor Party's mayoral candidate, Khushro Ghandhi.

Ghandhi had made Eve's program for reverting to "more primitive forms of technology" a major issue of the race. Eve, considered a sure winner after the Sept. 13 primary, had counted Sen. Hubert Humphrey and Vice-President Walter Mondale among his backers. Despite

his "big guns" national support, the formation of a Buffalo Committee for Fair and Honest Elections was too much for him.

Initiated by Ghandhi, joined by Griffin, the Committee for Fair and Honest Elections had a major role in the enforcement of strict guidelines for the Buffalo election. Without the fraud that had characterized Arthur Eve's primary victory, the Democrat was easily defeated.

Likewise, Ghandhi's introduction of economic program to the race—he had campaigned for nuclear power and for the creation of a skilled workforce to usher in an industrial renaissance—dominated the race. Twice at candidates' night speeches Griffin followed Ghandhi in addressing voters, saying, "Ghandhi is the expert on nuclear power...I take my hat off to Mr. Ghandhi." The Republican candidate Phelan, in an effort to bolster his campaign, followed Griffin's example; he promised voters he would hire Khushro Ghandhi as his economic advisor if he were elected.

But while Griffin's public identification with the Labor Party campaign and his opposition to election fraud won him 57,642 votes Nov. 8, Ghandhi was credited with less than 300 votes.

James Griffin was wise enough to capitalize on voter support for the Labor Party's program for the revitalization of industry. The failed New Jersey gubernatorial bid of Republican Ray Bateman exemplifies the results when a candidate refused to pick up this cue.

### NEW JERSEY FIASCO

Bateman, who began his election campaign significantly ahead of hated incumbent Democrat Brendan Byrne in the polls, had initially allowed lines of communication between his staff and the Labor Party's state leaders to remain open. But halfway through the campaign, Bateman succumbed to pressure from the Republican National Committee and distanced himself from the Labor Party. Shortly thereafter, Bateman adopted a "know-nothing" tax-cut focus, dropping his support for nuclear power and ignoring documented evidence of fraudulent voter registration. The result was Byrne's unhampered "sweep" of many traditionally Republican areas to defeat Bateman by a wide margin.

Brendan Byrne's incredible 58 percent of the vote to the GOPer's 42 percent would not have occurred if Bateman had not abandoned serious politics. Byrne, a member of the Northeast Governor's Conference and a leading organizer of its Energy Corporation for the Northeast (ENCONO), is loathed throughout the state. Yet he "won" New Jersey in areas Democrats have not carried for generations.

Similarly, Mondale candidates determined races in Cleveland and Pittsburgh where the Labor Party was not an active influence in the election campaigns. In Detroit, enormous harassment of the Labor Party's campaign staff for their candidate Mel Brown was tremendously undercut by the combined efforts of the election rigging machine. Not surprisingly incumbent Coleman Young, a close associate of Walter Mondale, swept the race against black conservative Ernest Browne.

#### NUCLEAR POWER SHAPES VIRGINIA RACE

In the course of a campaign so closely watched by Capitol Hill as to gain *Washington Post* feature commentary, Alan Ogden, Labor Party candidate for governor of Virginia, emerged as a national spokesman for nuclear energy production. Although Ogden was blatantly defrauded in the election, his program greatly aided the victory of Republican candidate John Dalton over zero-growth populist Henry Howell.

Howell, who based his campaign on his ties to Jimmy Carter, had unwisely attacked the state's public utility, the Virginia Electric Power Corporation. Initially, Dalton had capitalized on the Democrats' poor judgement in attacking nuclear power in a state whose industry is heavily reliant on it.

Dalton nearly allowed an almost sure victory—Virginia had been the only southern state to be carried by Gerald Ford in the 1976 presidential election—to slip by him, by acquiescing to the demands of Richard Viguerie, a known agent of zero-growth for William Buckley in the conservative movement.

In the final weeks of the campaign, as polls showed, Dalton and Howell nearly tied, and as the Ogden campaign reached across the state to awaken voter support for nuclear power, Dalton returned to his original stance favoring industry. Dalton tailored his campaign to revolve around the support for nuclear power expressed by the state's leading Republicans, and eventually dropped Richard Viguerie from his staff. The Republicans mobilized voters under the slogan "A vote for Dalton is a vote against Carter's energy program."

The result, a landslide victory for Dalton, was described today by the *Richmond News Leader* as a "Magnificent victory—if Virginia overwhelmingly rejected Henry Howell yesterday, they rejected the importunings of Jimmy Carter as well...With Mr. Carter heavily committed to Mr. Howell, the Virginia verdict on Mr. Carter was one of profound dissatisfaction."

#### TERRORISTS DEFEATED

The drive to force a zero-growth mandate from the population also included the fielding of barely reformed terrorists running on the Democratic ticket for city council positions in Seattle, Hartford, and Detroit.

In Seattle, Chip Marshall, a leader of the terrorist Weather Underground who was named as a conspirator in legal proceedings regarding the 1973 Seattle bombings, ran for city council on an environmentalist program.

After obvious fraud in the primary, Marshall incredibly gained the endorsement of the King County Central Labor Council and the Seattle Police Guild. Marshall's credibility was only seriously disputed by the Labor Party, which played a major role in organizing his defeat by voters.

In Hartford, Eduardo Vargas, a member of the terrorist-supporting Puerto Rican Socialist Party, was expected to gain a city council seat through vote fraud. Although fraud did show significantly in tallies for Labor Party candidates, Vargas was defeated.

In accomplishing this, the Labor Party had motivated local Republicans and their councilwoman, Margaret Taddone, to second Labor Party attacks on Vargas. The Spanish Democratic Club, which had been expected to pull out the vote for Vargas, instead backed U.S. Labor Party candidate Herbert Quinde.

In Detroit, however, the Labor Party's limited maneuverability was not sufficient to block the election of former Air Force intelligence officer Ken Cockerel, now a lawyer for cop-killers, to the Detroit city council.

#### REFERENDUM VOTES AGAINST FRAUD

In Washington and Ohio nationally publicized referendums on same-day and postcard registration were defeated despite efforts by the White House to win their passage.

Mondale visited Ohio to campaign for the same-day law, while the AFL-CIO surreptitiously levied their membership 50 cents a head to build a slush fund to support the legislation. Despite at least \$500,000 spent, and wide distribution of propaganda, the same-day proposal registered only 41 percent of the vote.

In December 1976 the same vote fraud machine that originated the proposal was forced into national prominence after the Labor Party and individual Republicans proved in federal court that tens of thousands of fraudulent votes were cast in the presidential election.

In Washington, the victory over postcard registration stemmed from the Labor Party's collaboration with Republicans in efforts to kill a law for mail registration by gaining a ballot referendum. Voters rejected the proposal two to one.

# Ohio, Washington Voters Reject Mondale Fraud Package

Voters in Ohio voted overwhelmingly on Nov. 8 to abolish same-day voter registration in the state, while Washington State voters defeated by a 2:1 margin a referendum supporting postcard registration. The two results are interpreted as nationally significant rejections of President Carter's federal Election-Day voter registration legislation, which was withdrawn during the 1977 session of Congress, but was to have been reintroduced in 1978. With the Ohio and Washington returns so unequivocally opposed to loosening voter registration requirements and opening the door to increased vote fraud, it is likely that the President's plan—whose strongest supporter is not Carter but Vice President Fritz Mondale—is moribund.

## *National Mandate in Ohio*

By a vote of 59 percent to 41 percent, Ohioans for the Preservation of Honest Elections, the nonpartisan group which placed the anti-same-day registration Referendum No. 1 on the state's ballot, carried the proposal to repeal Ohio's "same-day" law, which was passed in January over Republican Governor Jim Rhodes's veto. A committee spokesman declared on WCBS radio in New York today that the vote "shows that the U.S. population does not favor laws which increase the danger of fraud," and that "the Ohio vote means it will be impossible for the Carter Administration to bring its election reforms to the floor of Congress next year." The rejection of instant voter registration also represents a major political defeat for the AFL-CIO and United Auto Workers' vote fraud machine in Ohio. Warren Smith, state head of the AFL-CIO, had told his members during the campaign: "This is one of the most important issues we've faced in years." For all of that, this heavily labor state bucked Smith and the UAW on the issue of election integrity.

A determining factor in that upset was the fact that the Ohio organization of the International Brotherhood of Teamsters, in part as a result of U.S. Labor Party lobbying, called upon its membership to vote for repeal.

The issue of vote fraud in Ohio had been a central one for a year before yesterday's elections. In December 1976, after Gerald Ford lost Ohio to Jimmy Carter by about 11,000 votes (less than one vote per precinct), the U.S. Labor Party, joined by individual Republicans proved in Federal Court that more fraudulent votes had been cast in the election than the determining margin of Carter victory. Labor Party evidence showed that the AFL-CIO and UAW—as per Walter Mondale's Election Eve instructions to New York City voters to "vote early and often"—had run a "Big Vote" operation relying on tens of thousands of fraudulent registrations and votes.

In its court case before Federal Judge Kinneary in Columbus, the Committee for Fair Elections, a group including the U.S. Labor Party and members of the GOP and Democratic Party, proved that in Cleveland and Toledo alone at least 15,000 such votes were cast. Judge

Kinneary ratified the evidence, and the methods of collection, but refused to grant the Labor Party petition to stay the meeting of Ohio's electors until a new election could be held, on the grounds that *intent to fraud* had not been proved. A similar decision had been handed down a few days earlier in New York State by Federal Judge Jacob Mischler in the case brought by Labor Party and individual Republicans and Conservatives.

Further proof of fraud was later given by Ohio Secretary of State Ted Brown. His office conducted an investigation into same-day registrants who voted in the Cleveland mayoral primary a month ago. Of the 10,000 same-day registrants, 46 percent were found to have registered irregularly or illegally.

## *Fraud In New York City*

In areas like New York City, where the U.S. Labor Party showed last year that 180,000 phony votes were cast in the presidential race, a fullscale investigation into and exposure of vote fraud is planned. Although Liberal Party candidate Mario Cuomo, who had lost the Democratic primary to Felix Rohatyn intimate Edward Koch, gained more than 20 percentage points on Koch in the last two weeks of the campaign by raising the call for economic development of the city, Koch — whose program is austerity against New York for the sake of Rohatyn's British-based interests, was credited with a 49 percent to 43 percent win over Cuomo. Elijah Boyd, the U.S. Labor Party candidate who appeared on TV prime time on election eve to present a devastating exposure of Koch's program, was awarded virtually no votes. Preliminary checks have already uncovered voting machines which show discrepancies of ten percent between the number of voters who entered the booths and the number of votes for mayor cast on the machines. These discrepancies almost certainly represent a Boyd vote which has been thrown away. Boyd's running mates—Paul Gallagher for City Council President and Christine O'Connor for Comptroller—won approximately three times Boyd's vote.

## *New Jersey: Evidence of Massive Fraud*

In New Jersey the widely disliked incumbent Governor Brendan Byrne was credited with defeating his Republican opponent Ray Bateman by a margin of 58 percent to 48 percent. There the state AFL-CIO early in the campaign refused to support Democrat Byrne, whose rabidly zero-growth posture on energy and industry had alienated most of New Jersey's workers and professionals. Bateman's promising campaign was emasculated through Republican National Committee orders to steer clear of U.S. Labor Party candidate Leif Johnson's high-technology development program for the state. Despite the self-destruct operation Bateman then performed on himself, polls showed up until the election that the race was a "dead-heat." Yesterday, Byrne took

the state by a landslide. Fraud is blatant in New Jersey where 13 independent gubernatorial candidates together polled less than 1 percent of the vote in a race where a large protest vote was anticipated. Byrne carried most of South Jersey—which has not gone Democratic in generations—and Bergen County, a suburban bedroom community which is strongly Republican and where Bateman had an 8 percent lead in every poll. Only three incumbent state assemblymen were defeated, all of them key antagonists of Byrne, and all of them active either in introducing USLP-initiated legislation or joining a Committee for Fair and Honest Elections.

#### *Buffalo Victory*

The Buffalo mayoral race provides a test case for methods of preventing vote fraud. In Buffalo's Sept. 13 mayoral primary, ghetto-based Arthur Eve defeated conservative Democrat and State Senator Jim Griffin by a wide and fraudulent margin.

In Democratic councilmanic primaries run at the same time, evidence of fraud was collected by loser Dougherty, who took his case to the State Supreme Court. State Supreme Court Judge Kane, whose ruling was then upheld by the Appellate Division, found that 1,053 voters voted illegally in the councilmanic race, and ordered it to be re-run Oct. 18. Kane ruled that, although evidence of intent to fraud did not exist, evidence of widespread tainting of the race did. Following that precedent, U.S. Labor Party mayoral candidate Khushro Ghandhi launched the formation of a Buffalo Committee for Fair and Honest Elections, which was joined by Griffin, by then running for office on the Conservative line. Ghandhi and Griffin met with the Board of Elections, the District Attorney's office, and the police to set up scrupulous pre-checking and Election Day checking of fraud. The

Buffalo *Courier Express* reported Nov. 4 that dogs and cats had been registered to vote in the city. The front-page article, entitled "Voter Application Fraud Found; Dogs, Cats Registered To Vote," pointed out that individuals concerned to prove the laxness of registration procedures had been able, for example, to register a cat named Alfie as Alfred L. Miller.

The Board of Elections deployed 90 special-assignment policemen to polling places in areas of suspected fraud, provided every polling place with "challenge affidavits" to make on-the-spot reports of registration and/or voter irregularities, turned over to the District Attorney the names of 1,053 fraudulent voters in the councilmanic race for prosecution, and announced its intention to impound voting machines election night in any area where the vote was close.

Yesterday's outcome was powerful proof of the efficacy of those efforts. In a completely unexpected result Griffin defeated Eve by 57,642 to 43,240. Evidently the fact that Eve had been endorsed by Vice President Mondale and Senator Hubert Humphrey was insufficient in a race where he was unable to defraud his opponent.

At present, the State Republican Party is sitting on a gold mine of fraud evidence. When the GOP sent out sample ballots to every registrant in Essex County, 12,000 were returned stamped "addressee unknown" — yet most of these ghosts voted yesterday. Three people have been arrested so far in Jersey City for voting more than once — and every vote was for Byrne. On election eve, New Jersey GOP chairman David Norcross appeared on television in front of a razed block in Paterson, N.J. to announce that "700 people are registered to vote here." Houses on the block were knocked down some years ago.

## 1977 Labor Party Election Results Point To Fraud

*Election returns for U.S. Labor Party candidates participating in the 1977 election were the most disparate ever registered by USLP candidates. The tallies ranged from 32.5 percent for Labor Party School Board candidate Brian Lantz in Tacoma, Washington, to totals so slight, as to be unavailable for Labor Party candidates in New York City and New Jersey.*

*A factor in U.S. electoral politics since 1973, the Labor Party has been nationally acknowledged by news media and politicians as the third major political force in the U.S. Likewise, voter preference for the Labor Party's program of industrial growth helped determine the outcome of the Buffalo, N.Y. mayoral race and the Virginia gubernatorial race, but the Labor Party's own candidates were heavily defrauded.*

*Here are some of the Labor Party's most significant returns.*

### New York City

U.S. Labor Party mayoral candidate Elijah Boyd, making his third electoral bid in the New York area, was credited with so slight an official vote that no tallies are yet available. Boyd made two election eve appearances on metropolitan television and had enjoyed prominent news coverage in the large circulation weekly the *Black American*.

Liberal Party candidate Mario Cuomo related a "dream" he had that hints at the influence the Labor Party had in the New York City electoral race. According to a Nov. 9 *New York Times* account, Cuomo told his staff that he had dreamed that "it rained so hard on election day that all the polls were closed except for three in Elijah Boyd's neighborhood. The returns were 110 for Boyd, 12 for Cuomo, and 9 for Koch. There was a rush to Albany for special legislation..."

## Tacoma, Washington

In this small industrial city of 100,000, U.S. Labor Party school board candidate Brian Lantz scored 32.5 percent of the vote in a two-way runoff for a school board seat. In a private poll taken by his opponent David Tuell's staff, Lantz was said to be expected to gain 38 percent of the vote, with 18 percent of the voters undecided.

## Virginia

The best publicized candidate in the Virginia gubernatorial race received the lowest vote total in his political career. Alan Ogden, the U.S. Labor Party candidate, scored a higher absolute total of votes in his 1975 bid for the Virginia House of Delegates than the 6,000 votes he supposedly earned in this race. In that race Ogden received 14 percent of the vote, a tally he repeated in his 1976 effort for Congress. Ogden's official total of 1 percent statewide is particularly dubious when compared to Labor Party House of Delegates candidate John Ascher's total of more than 11,000 votes from Richmond alone.

## Washington D.C.

U.S. Labor Party school board candidate Stuart Rosenblatt polled 9,252 votes to place third in a four-way race for two school board positions. Rosenblatt's 19.3 percent of the vote can be identified as voter rejection of liberalization of marijuana laws and an endorsement of quality education. Rosenblatt, who strongly condemned local efforts to decriminalize marijuana, had been endorsed by two high-school principals.

## Westchester County, N.Y.

Michael Billington, U.S. Labor Party candidate for Westchester County Executive, had met his opponents, incumbent Albert DelBello and Republican Gordon Burrows, in more than 40 public debates, and his impact on the race had gained him front-page news coverage in the final weeks of the campaign.

A poll taken by Rep. Richard Ottinger (D.N.Y.) in behalf of DelBello's staff a month before the election showed Billington to be the preferred candidate of 8 percent of the voters. But in the official returns, Billington was credited with less than 1 percent.

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# Everyone's "After Carter"

Administration circles allied to Vice President Walter Mondale, former Secretary of State Henry Kissinger, and the City of London-linked *New York Post* converged on a common political target this week: the James Carter White House.

The set-up of Carter was highlighted by the reception of his energy address, scripted by energy czar James Schlesinger. The *New York Post* opened a ridicule campaign complete with editorial page cartoons, following the speech, even though for months the *Post* has fervently supported Carter's no-energy conservation program, and the efforts of Department of Energy Chief James Schlesinger to implement it. While the *Post* took advantage of the public's no doubt disgusted response to Carter's renewed demands for energy sacrifice, Schlesinger, the author of the Administration package

and the prompter of Carter's Nov. 8 diatribe, remained comfortably behind the scenes.

Henry Kissinger's part in this nasty scheme to knock Carter off balance is being played against the Administration's persistent efforts to cool down the Middle East dispute and bring its principles to the peace table at Geneva. On Nov 3, Kissinger delivered an actionably treasonable speech against Carter's Mideast diplomacy to the World Jewish Congress (see below).

And as if to publicly advertise the intentions of these efforts, the Democratic Agenda, an umbrella group of the Mondale-linked Social Democratic Organizing Committee, this week announced a December conference to be held under their auspices — called "After Carter." As yet, the brochures advertising the conference do not announce when it is intended that Carter is to be ousted from office.

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# Elephants And Nebbishes

*The following statement was released on Nov. 10, 1977, by Lyndon H. LaRouche, chairman of the U.S. Labor Party.*

Yiddish culture has contributed several not unimportant pragmatic conceptions to political science and sociology. Unfortunately, according to the best philological authorities in the matter, the Yiddish terms attached to these conceptions are reputed to be untranslatable. Thus, without mastery of certain key Yiddish loan-words, the contemporary political analyst is most poorly equipped to understand such phenomena as the conduct of certain "moderate" Republican spokesmen.

The most famous of these Yiddish concepts is identified by the term chutzpah. If an individual enters a

revolving door behind you, and comes out first — that is chutzpah.

The most relevant of the Yiddish concepts to be employed for the case under consideration here involves political behavior of the following exemplary form. Some of you may have had the experience of watching a neighbor spend his entire Saturday afternoon sweating, huffing, cursing, and pushing, trying to fit a full grown African bull elephant into a one-horse horse-trailer. The Yiddish term for such a person is a nebbish. For those of you so culturally under-privileged as to lack such a neighbor, your understanding of the term nebbish must rely upon observing the conduct of such modern Republicans as Senator Baker, trying to push forward Henry Kissinger's current delusions as a credible

alternative to an early Middle East Geneva summit conference.

To see the problem involved more exactly, one must see Henry Kissinger himself as a nebbish among nebbishes. Despite the misleading indication arising from Henry's notorious manic-depressive fits of temper, the use of the term nebbish for Kissinger does not arise as a diminutive for the analogy to grass-eating King Nebuchadnezzar. A nebbish is a nebbish, and that, among Yiddish scholars, is the long and short of the matter.

Like the oaf attempting to fit the bull elephant into the horsetrailer, Henry Kissinger is attempting to push his hopelessly misconceived and downright dangerous worship of Metternich and Bismarck as a workable approach to current world strategic realities.

Specifically, Kissinger and his nebbish admirers obsessively repeat the claim that that great genius, Kissinger, edged the Soviet Union, step-by-step, out of a significant position in the Middle East. Such claims by Kissinger's press agents amount to the moral equivalent of an outright, bald-faced consumer fraud, which ought to come under investigation by the Food and Drug Administration and the Federal Trade Commission on that account.

So, when the Carter Administration, convinced by Israel and the Arabs that the Soviet Union is a major factor in the Middle East, negotiates a package SALT-Geneva effort with Soviet Foreign Minister Andrei Gromyko, the great chorus of wild-eyed nebbishes bellows out, "Carter brought the Soviets back into the Middle East." The fact of the matter is that Henry never got them out, but it is not the quality of a nebbish to face facts contrary to his obsessive delusions.

#### *Kissinger's Delusion*

The key to the essential fallacy of the Kissinger step-by-step narcissism is that the influence of a great strategic power in the world, and in regions of the world, is not to be measured in the number of governments and parties which are the evident clients of that power.

It is the British imperialist delusion, which has infected Fabian and kindred quarters in the United States, that the United States and Britain have established a dollar-denominated Pax Britannica over the capitalist sector as a whole. Consistent with that same deluded view, they see the Soviet Union as representing a Pax Sovietica empire, and Peking as the nucleus of yet a third empire. In this fantasy-ridden image of global actualities, the Kissingers and their kind count the nations within each orbit as mere satrapies of the respective great imperial powers, to the effect that such satrapies are essentially the political property of the great power to which the present government is nominally oriented.

The Kissingerian delusion to such effect is periodically driven to imbecilic rages by such phenomena as French Gaullism or the quasi-Gaullist impulses manifest in and around Israel's Begin government. The cause of such Kissingerian imbecilic rages is not that Gaullism or Menachim Begin represent in themselves a dangerous threat to the massive correlation of power at the disposal of the Anglo-Americans. The cause of the rage is that the occurrence of Gaullism or a Menachim Begin government

is crucial empirical evidence that Kissinger's imperial doctrine is a delusion, that the world does not operate in the way Kissinger obsessively prefers it to operate.

The fact that continental Western Europe or Israel are under the thumb of Anglo-American NATO hegemony does not prevent those regions and nations from possessing vital national interests which come increasingly into conflict with Anglo-American policies of the present time. Such nations, whenever faced by a sharp conflict between Anglo-American policies and their own vital interests, will attempt to find some way in which to extricate themselves from the dictates of Anglo-American policy.

In reality, as President DeGaulle understood and emphasized, such national independence in matters of policy compels those nations to play between the two principal strategic powers. If France or Israel wishes to resist a current policy-dictate from Washington and London, it is obliged to exploit fissures in the great power relationships as a way of securing itself elbow-room for a semblance of independent policy. Hence, in the current Middle East situation, Prime Minister Menachim Begin's visit to Romania, and the crucial role of France's Prime Minister Barre in the emergence of the Carter-Gromyko Geneva proposal.

A better understanding of these realities appears to be present among circles associated with former Governor Averell Harriman, and in the Vance-Brzezinski circles within the Administration itself. We do not propose that this represents a correct understanding, but only a probing for practice in productive directions.

Contrary to Kissinger's imperial delusions, a workable United States foreign policy is not a private affair between the Executive and the Senate. The mere fact that the Executive has proposed and the Senate concurred does not mean that the adopted policy is a practicable reality. Allies are alienated by bad U.S. policies profoundly contrary to their vital interests. The constellation of political power—the so-called "Atlantic concert"—at the disposal of the United States is eroded by such a bad U.S. policy, and hence the possibility of ordering U.S. foreign policy along such lines is eroded to the point that the policy can not succeed.

A workable U.S. great-power foreign policy depends upon the hegemony of that policy in global affairs, a hegemony which in turn depends upon a favorable correlation of global political and economic forces. Hence, a leading world power must shape its policies not merely according to a monetarily prevailing perception of its domestically determined self interests, but according to an understanding of a commonality of self-interests among those nations to which it proposes to give great-power leadership.

We can not succeed if we act on the presumption that because we are a great power, therefore, our putative allies must behave as dutiful satraps under any imperative we choose to present to them.

Some recent cases in point are most relevant.

#### *The London Attack on the Dollar*

The recent fight within the Administration, between those concurring with Bert Lance and those aligned around Blumenthal, Mondale, et al., resulted in the



tactical defeat of the same forces around Lance in favor of the Blumenthal policy. It was not a clear-cut victory for the Fabian faction, but it was a defeat for the forces of fiscal sanity. In consequence of Blumenthal's wrecking of the U.S. dollar's position, a fraction of merchant bankers in the City of London cut the pound free of the dollar and proceeded to gobble up significant portions of petrodollar and Eurodollar deposits. This produced the recent pound bubble and the correlated effort of London, with complicity by the Lazard-centered Fabian-oriented U.S. financial interests, to break with the dollar in favor of world monetary hegemony by the City of London.

In assessing this development, one must distinguish between the circumstances prompting the London insurgency and the insane policy which London pursued in that temporary breakaway.

The London action was the cumulative result of the fact that since 1971, in particular, U.S. economic and monetary policies have been savagely incompetent on balance.

The refusal of the nebbishes leading New York banks and the nebbishes in Washington to face the crises of the dollar at root has been the primary consideration. Because those intellectual cowards refused to face the fact that their perceptions and policies were the principal cause of the mess, they attempted to postpone the consequences of the problem rather than making the corrections which would have solved the problem.

So, we have had the phenomenon of endemic dollar collapse without collapse. By building up offshore financial bubbles in a cancerously inflationary Eurodollar market, and by the short-lived and ultimately disastrous "remedy" of petrodollar recycling, the bloated overhang of Manhattan banking has been refinanced past each point of imminent collapse.

Out of this post-1971 experience, key U.S. and other policy-formulators have developed the wishful doctrine of the permanently postponed financial collapse of the dollar. "See," they point to their charts, "we should have gone into bankruptcy-collapse here, and then here, and then here. Each time, we managed to get through, by these refinancing innovations. Therefore, the collapse will never come. We merely have to keep on adding new innovations of the same sort, and we can postpone the bankruptcy indefinitely."

The essential fault with such Pollyanna self-delusions is that the policy-formulators involved are incompetent in the ABCs of economics.

The monetary form of the post-1967 perpetual crisis has been the accelerating growth of the overall debt-equity ratio in the capitalist sector as a whole. The mass of debt-service payments and implicit debt-service payments required on capital account has run ahead of the real gross profit on combined industrial and agricultural production. The refinancing of this debt at each point of imminent bankruptcy takes consistently the form of increasing the rate of forward debt-service. This necessarily increases payments for debt-service and imputed debt-service taken out of circulating capital of industry, agriculture and household consumption, bleeding both through direct indebtedness of production

and incomes and through looting of public consumption of industry, agriculture and households.

This consequence first reduces the rate of economic growth, and then proceeds to contract industrial and agricultural output absolutely. The result of this process is to increase the gross-debt service secularly while reducing the scale of real economic output, raising the breakeven point of individual firms and farms while driving levels of output below the breakeven point. So, the secular tendency set into motion is an exponential growth in the debt-equity ratio relative to real productive output throughout the capitalist sector as a whole, proceeding toward the point at which the rise in interest rates and the shortening of debt-maturities under inflationary pressures generates a hyperinflationary explosion.

The immediate consequence of this folly is to strike a deadly blow at the most vital economic interests of firms, agriculture, and the populations, which takes the form of a threat to the most vital interests of the affected nations. This sets into motion inevitably centrifugal political tendencies within the Anglo-American monetary system.

These centrifugal tendencies will tend to take one of two alternate general forms. In the positive variants, European nations, Japan and parts of the developing sector revolt against U.S.-dictated policies and influence in the interest of maintaining productive output rates, in favor of real economic growth. In the ugly variants, as was the case with the London caper, one group of bankers seeks to gain a relative advantage by looting the U.S. financial community, with aid—in the case of the London caper—from a Lazard-centered "fifth column" within the U.S. financial community itself.

Consequently, we have had the ludicrous spectacle of the most bankrupt, worst-managed, most economically devastated of the OECD nations, Britain, temporarily enjoying the largest rate of growth of financial reserve at the expense of nations whose currencies are relatively miracles of buying-power and economic growth potential, relative to the fictitiously valued pound.

#### *The Schlesinger Doctrine*

The paradox of the White House itself is that on the one side President Jimmy Carter is receptive to "fiscal conservatism"—his Bert Lance side—but on the other side, he is, up to this point, obsessively attached to the wildest fiscal maniac in his Administration, Energy Czar James R. Schlesinger. Carter's glazed-eyed, obsessive clinging to the Schlesinger energy doctrine is the feature of the Administration which can wreck every aspect of U.S. foreign policy potentials, generate political chaos within the nation, and even put the nation on the track toward an otherwise avoidable general thermonuclear war.

From any competent standpoint, the Schlesinger energy policy is pure economic insanity, reducing the United States to a condition of relative pastoral imbecility, in which the basic commodity at the local supermarket will become marijuana with PCP additive, transforming the nation into one hideous emulation of the Manson Family.

This is understood by the leading political forces of Western Europe and Japan, and also well understood by the Soviet Union. Leading Soviet think-tanks see the success of Schlesinger's energy policy as weakening the United States to the point that it is a third or fourth quality power in comparison with the Soviet Union first and Western Europe and Japan second.

Carter's foolish veto of the Clinch River breeder project makes the Soviet Union and France presently the world's only significant powers in nuclear technology. Other features of the Carter energy program ensure that the United States will be a pathetically backward nation as Soviet fusion energy production begins to come on line during the early 1980s.

France and West Germany do not wish to follow the United States into that morass of pastoral imbecility. The Carter energy policy, especially its foreign policy aspects, are correctly seen in continental Europe as a profound threat to the most vital national interests of those states.

Unfortunately, the pastoral imbecility of the United States is not the only consequence of the Schlesinger doctrine. The political consequences of such a doctrine upon the geometry of U.S. internal and foreign policies virtually ensures general thermonuclear war's eruption in the near future, triggered by the escalation of a Middle East war or some outbreak of military conflicts in Africa or Asia.

The problem of the United States' foreign policy at the moment is that the Carter Administration has moved in the direction of vital national interests in seeking a Geneva negotiation of the Middle East situation, but that Carter's obsessive clinging to the pastoral imbecilities of Schlesinger et al. comes into direct conflict with the foreign policy efforts of Vance and Brzezinski, under conditions in which the London-oriented Mondale faction has a preponderant control of cabinet positions.

#### *The Truth About Kissinger*

Henry Kissinger has always been a failure in politics, if one judges the matter not by the ups and downs of Kissinger's career, but from the standpoint of the effect of his policies on the most vital U.S. interests.

Kissinger's consistent outlook since 1957 has been the long-term perspective of subjugating the Soviet Union through a kind of Mutt-and-Jeff policy of sustained containment pressures centered on the aura of a credible thermonuclear ultimate threat. Kissinger's style, his acrobatics and so forth, involve the complementary feature of his approach. In matters of detail, Kissinger's practice is to probe for weakpoints in the Soviet influence, weak points fostered by containment, and to negotiate inch-by-inch advances in what Kissinger defines as the long-term U.S. position.

Kissinger's practice has been to avoid coming to any conclusive settlement of any issue of strategic importance. His method is to negotiate only temporary partial settlements, preparing the way for a new negotiation of the same issues at a later date, capitalizing, in between, on marginal advantages secured through each temporary agreement.

In general, the 20 years of Kissinger have been a net, major failure.

The sabotage of President Eisenhower's efforts, a sabotage consistent with the Kissinger doctrine of avoiding conclusive resolution of problems, was followed by the perfervid version of the Kissinger Doctrine practiced by the John F. Kennedy Administration. This venture committed the Soviet Union to a war-winning long-term strategic military perspective in force today.

The Anglo-American foul-up of Indochina, launched under the Kennedy Administration, and the mire of the Johnson Administration, became a hideous, massive ulcer, which did savage damage to U.S. foreign policy capabilities as well as nearly wrecking the nation's institutions internally. This was Kissinger's doctrine carried to the extremes of its potential insanity for that period.

Kissinger himself has been associated publicly with a more cautious application of his own policy. Unlike the Kennedy Administration, and unlike the follies of the first half-year of the Carter Administration, Kissinger avoided pushing matters so far as to directly catch the United States in a major set-back to his policies from the Soviet side. However, the policy of all Administrations since 1960 has been essentially Kissinger's. However significant for the short-run the "stylistic" differences have been, it is various stylistic interpretations of the Kissinger doctrine which have dominated U.S. policy since the "U-2 Incident."

It is not accidental that the London-oriented Fabian liberal faction within the Democratic Party's "Eastern Establishment" have repeatedly carried Kissinger's doctrine in practice to lunatic extremes.

The appearance of Kissinger's success during the 1968-1976 period was not the result of any inherent competence in his policies, but the fact that his relative moderation of public style combined with the continued credibility of the world power of the U.S. dollar enabled Kissinger to enjoy certain short-term gains made larger-than-life by his admirers in the major press and the Congress. What worked was not Kissinger's policies, but the continued hegemony of the U.S. dollar and economy.

For example, the case of Egypt. Kissinger did not win Sadat to his camp, Kissinger took over Sadat's rental contract, and staged the 1973 war in such a way as to enable Sadat to make the corresponding shift. It was the U.S. dollar that bought Sadat together with certain other arrangements involving the 1973 OPEC and petrodollar recycling constellation.

This reporter had the opportunity to study Kissinger's operation at very close range beginning in the fall of 1975. Kissinger and this writer were working opposite lines of economic policy during that period, and Kissinger was personally, directly involved in operations against key world figures who he had detected as sympathetic to the Labor Party's International Development Bank proposal. Many of these talked—if discreetly—adding up to a catalogue of outright economic blackmail and bribery of industries, parties, governments and so forth. Kissinger's diplomacy is all Mutt-and-Jeff, Kissinger's goons on the one hand and a check-book on the other.

As the time came, as it had to come, that the U.S. dollar itself was monstrosly weakened through the policies Kissinger represented, the consumer fraud involved in Kissinger's reputation came to the surface. The

U.S. dollar lacked the resources to buy up factions and nations, and the most vital interests of European and other nations forced them to come out in bolder resistance to threats, and terrorist and environmentalist goonery.

Now Kissinger and his duped admirers, all howling like the band of nebbishes they are, insist that since Kissinger's policies worked in the past, they are the policies which must be applied to the present. One is reminded the nebbishes canoeing eastward across Lake Erie, reaching Niagra Falls, at which point, the nebbishes reject warnings from the river bank, yelling to one another "keep paddling forward." Kissinger's policies have reached their lawful destination, and are thus exposed for their intrinsic incompetence which they have, in fact always represented.

#### *Metternich and Bismarck*

It is well known among those Kissinger associates who are gullible to listen to such nonsense that Kissinger pridefully models himself on study of the roles of Metternich and Bismarck. To anyone who knows the real history of Metternich and Bismarck, Kissinger's recitals in themselves give away the secret of his essential incompetence.

Both Metternich and Bismarck were essentially tools of London financial interests. In either case, the diplomatic and military successes attributed to those "statesmen" were arranged for them by, principally, the House of Rothschild.

The case of Bismarck is sufficient to illustrate the principle involved.

In the aftermath of 1848-1849, the House of Rothschild recognized that inevitable doom of the political obscurity known as the Austro-Hungarian Empire and played alternately with Napoleon III and Bismarck as the new, alternative instruments of British continental policy. Bismarck himself was an adopted protege of the House of Rothschild, which used its influence in Britain and on the continent to bring Bismarck from relative obscurity to power in Prussia.

In each case of Bismarck's famous successes, it was the role of the Rothschilds in manipulating the credit of the states involved, and the politics of Napoleon III's armaments industry, which rigged the military and diplomatic games of Europe to the effect that Bismarck's success was prearranged.

Thus, to adduce from the case of Metternich and Bismarck a doctrine of diplomacy and strategy is to presume that the British-centered power of a force like the Rothschilds enjoys political and financial hegemony over the states involved behind the scenes. Without that latter consideration, a Metternich or Bismarck would have been nothing but discredited public jokes in world affairs.

A Bismarck or a Metternich without the House of Rothschild arranging history behind the scenes is nothing but a pathetic nebbish, like the nebbish trying to put the African bull elephant into a one-horse trailer.

## Kissinger: Disregard Carter's Mideast Peace Efforts

*In an intimate closed-door session with the World Jewish Congress Nov. 3, former Secretary of State Henry A. Kissinger urged the American Jewish community to defend Israel at all costs, regardless of U.S. policy. Kissinger's diplomatically worded statement, delivered in an atmosphere that one participant described as "almost like a family affair," was an unmistakable cut at President Jimmy Carter's overtures for peace in the Middle East and, in fact, followed the President's own remarks to the Congress.*

*Nahum Goldmann, a leading WJC member, made the point obvious to all by telling the participants to "read between the lines" and remember that Kissinger was of necessity speaking only in very general terms.*

*The Congress meeting was closed to the press, but NSIPS has obtained a paraphrase of Kissinger's speech from which the following excerpts are taken.*

The present situation must fill all Jews with a sense of responsibility and concern. All Jews must be for peace, and peace does not rest only on statements — because Jews have seen too much of the transitoriness of human intentions. Jews know that they must not be seen as the cause of international difficulties. Peace must reflect an equilibrium of strength. No nation can entrust its security simply to trusting in another state....

I believe, and have always stated, that a separate Arab state on the West Bank — whatever the declaration or intention — inevitably must have objectives that are not compatible with the tranquility of the Middle East; it has nothing to do with professions, guarantees, assurances, promises....

To understand the real concerns of both sides (i.e., the U.S. and Israel): the U.S. is a superpower — but for the Jews and Israelis, the margins of safety are very narrow. The U.S. can afford certain experiments because if we are wrong, our worst penalty is to redouble our efforts. For Israel, certain experiments cannot be tried because Israeli leaders get only one guess — if they are wrong, it may involve the survival of their people.

Jews in America and around the world can best assure their interests by understanding the interests of the countries in which they live, but similarly, the U.S. and other countries have to understand the insecurity and the traumas of a people that has barely survived the holocaust and never known a day of peace in its existence, and knows that, in the final analysis, it is no good to any country unless it is meaningful to itself.

And therefore, it must maintain its faith in itself and its confidence that it is a master of its own destiny, and not just the protectorate of some other country, however well-intentioned that country may be.

# Administration Musters Senate Forces To Fight For SALT

"Guerrilla war" over the Administration's SALT negotiating position has broken out in the Senate between the "Jacksonian" sabre-rattlers and the relatively saner "realists" who are supporting Administration initiatives. The Administration itself, however, as it pursues detente with proven seriousness, remains hamstrung by the "human rights" tactics which fouled up the first six months of Carter's presidency.

## FOREIGN POLICY

The parameters of the Senate battle were summed up in a front-page *Christian Science Monitor* article on Nov. 10, which stated that "The forces pushing the Soviet Union and the United States into a new period of summitry, arms control, and detente seem, at this moment, stronger than the forces pushing them apart... But Western diplomatic sources point out one deep pitfall ahead: a new burst of anti-Soviet distrust in the U.S. when prominent dissident leaders... are tried and sentenced."

The "forces" pushing for detente showed their faces in the Senate this past week when Senator John C. Culver (D-Iowa) accused Senator Henry "Scoop" Jackson of leaking secret information from his own Senate Armed Services subcommittee's closed-door sessions with Secretary of State Cyrus Vance on the substance of the SALT negotiations. Jackson and his office were responsible for a "torrent of leaks" on "top-secret details of the most important and sensitive national security negotiations of our times," said Culver. Just short of labelling Jackson's activities treasonous, Culver stated that "Such leakage has the effect... of sabotaging SALT."

### *Administration Hits Nitze*

But the opening volley against the sabre-rattlers came earlier in the week directly from the Defense Department when Defense Secretary Harold Brown released the Administration's statement defending its SALT agenda and simultaneously accused Paul Nitze, policy-studies chairman of the warhawk Committee on the Present Danger, of misusing "classified information" in his "so-called expert analysis" given out to the press a week previous. Nitze charged that the Administration's SALT package would give the Soviet Union a "strategic nuclear advantage." Not coincidentally, Jackson is also a member of the hawkish Committee, and was clearly the source of the "classified information" referred to in the Defense Department's statement. In addition to Nitze's "expert analysis," the columnists Evans and Novak published a description of the Senate subcommittee hearings in their column of Nov. 4, where they

portrayed "Vance's performance as "disastrous" and went on to predict that the Armed Services Committee, led by its chairman Jackson, would reject the new arms pacts. Other similar reports appeared in the *New York Times* and *Aviation Week*, and from there found their way into press nationally. The *Washington Post* admitted in a Nov. 8 article covering Culver's indictment that they, too, had been briefed by a Jackson staffer who told them that "Vance had been ill-prepared and was 'out of it' on the details of SALT and that many Senators had been angered over his testimony."

Jackson is now being threatened with a Senate investigation of his activities. A request for such investigation has been submitted in writing to John Stennis (D-Miss.) of the Armed Services Committee by Culver, Thomas McIntyre (D-N.H.), Dale Bumpers (D-Ark.), Gary Hart (D-Col.), and Wendell Anderson (D-Minn.). Culver is likewise attempting to change the forum for Vance's consultative briefings on the Hill from Jackson's subcommittee to a 25-member advisory committee of the Senate appointed last year by then-Senator Walter Mondale. The Senate Foreign Relations Committee, chaired by John Sparkman (D-Ala.), is also gearing up for a fight to "reclaim the initiative" on SALT from Jackson and his hawkish colleagues, according to one member of the committee. This Committee has demanded and is now having staff meetings with the Administration to get fully briefed on SALT, in order to have at hand the information necessary to wage something more "guerrilla war" against the SALT saboteurs.

### *Carter Reassures Brezhnev*

With his letter to Brezhnev on Nov. 9 — delivered by U.S. Ambassador Malcolm Toon personally — Carter demonstrated that he does not intend to engage in brush-war skirmishes with the sabre-rattlers but intends to bring the fight quickly to a head and get it over with. The letter reportedly dealt with "substantive" issues of arms control, total nuclear test ban, and other subjects. In Brezhnev's hour-long meeting with Toon, the emphasis, according to Thursday's prominently displayed press accounts, was on "the urgency of finalizing the drafting of a new agreement on limiting strategic offensive arms on the basis of accords reached in principle." Tass reported that Brezhnev interpreted the letter as "a definite change for the better in relations with the Soviet Union and the United States."

The Administration is also pushing Congress, a bit more gently at this point, toward a reconciliation of the Jackson-Vanik Amendment of 1974, which was tied to the Trade Reform Act and "links" U.S.-Soviet trade to Soviet emigration policies. Carter met on Nov. 10 with the Soviet Foreign Trade Minister, Nikolai S. Patolichev for talks centered on the need for repairing economic ties

with the Soviet Union as well as a new arms accord. Preliminary steps toward abolishing the Jackson-Vanik Amendment have been taken by the Administration through various meetings with members of Congress over the past weeks. Despite this the Administration is still playing a dangerous game on the "human rights" issue which could sabotage all their well-laid plans for SALT. It's here where the Carter Administration reveals its Achilles heel, standing highly vulnerable to their threats to heat up anti-Sovietism if the Soviets decide to come down hard on the "dissidents" at upcoming trials. The *New York Times* reported Nov. 10 that one of the reasons for Carter's reassurances to Patolichev on trade was as "an incentive for treating dissidents leniently."

But in Belgrade, at the Helsinki review conference this Wednesday, U.S. Ambassador Arthur Goldberg was allowed to issue a sharp attack on the Soviets for "gross human rights violations, in the case of Anatoly Shcharansky, Uri Orlov and Alexander Ginzburg." Soviet delegate Vorontsov came back at Goldberg with the charge that "the ideas advanced by Ambassador Goldberg are putting this meeting on the verge of a dangerous situation."

In this connection, Senator Jackson a few weeks ago resurrected the moribund Committee for a Democratic Majority together with his "Jewish Lobby" friend, Daniel Moynihan. The Committee has been actively working with the Committee on the Present Danger and the two are the basis for the anti-SALT machinations in Congress. In league with these groups, the Social Democrats USA (a trade-union oriented and anti-Soviet organization) is planning to stage "human rights" demonstrations throughout the country in coming weeks — promising a "really big show" in New York on Dec. 19 which will host Soviet "dissident" Bukovsky.

### Social Dems:

#### Carter "Weak" Because He Wants Peace

*The following is an interview with the Executive Director of Social Democrats USA, founded by "CIA Socialist" Michael Harrington.*

**Q:** What is your view of the Carter Administration's foreign policy initiatives in SALT and the Middle East?

**A:** The nature of the SALT agreement is the key question. It won't get through Congress, if what is said is the proposal, because there are too many concessions by the U.S. Carter started out on a good foot with his proposal of last March, but now he is conceding to many demands of the Soviets. The Soviets have a strategy of dividing the allies by restricting the access of the allies to cruise missiles. The Administration's view is peace at any cost and this is the rhetoric of the late 1930's. The

policy is that of a weak president; it is not the leadership that is required.

**Q:** Do you then think the leaks on the SALT treaty, rumored to be from Senator Jackson's staff, were justified?

**A:** Leaking to create political pressure on the Administration, to make them bargain stronger, well, it is not too bad to do this. Then the Administration can say that they are under so much pressure they cannot give in to the Soviet demands.

**Q:** What do you see as the outcome of the Administration's policy?

**A:** The world is a fragile alliance of democratic states with one major totalitarian society. It is too similar to the world of the 1930's. It is necessary to defeat totalitarianism. There are many parallels to the 1930's — the totalitarian society is in an expansionist phase, it is heavily armed, and there are illusions in the West on how to deal with it: appeasement. People want to pacify the Russians — this was what was done with the Nazis in the Sudetenland. The Russians have a critical problem with their economy and we should get human rights agreements before we provide them with the technology they want.

**Q:** Do you think the outcome of the Administration's policy will be what it was in the 1930's?

**A:** War, well, no not in the nuclear age, but we will have the Finlandization of the West, a cutoff of our sea lanes, of our resources. We could have Europe sever their ties with us, if they see the Soviets strong. To the degree Carter pushes Israel it will strengthen those who believe they have to strike out to defend Israel. We will have a luncheon Dec. 19 with the Soviet dissident Bukovsky, because we are concerned about human rights in the Soviet Union.

**Q:** What are the key things that must be done about this?

**A:** We must have a growing economy and a growing defense.

**Q:** What are the steps needed for domestic economy?

**A:** We must have jobs, a youth employment program. We must stimulate the economy by tax cuts, we must have public service. We should have a lower interest rate policy than Burns has wanted. One member of our group, Paul Porter, who oversaw the Marshall Plan for a time, is writing for Senator Humphrey a key piece of legislation — the Urban Recovery Act. This will ensure that those who work in the cities live there and those working in the suburbs live there. We will relocate them.

## Pentagon Study Reviewing Joints Chiefs Role

The role of the Joint Chiefs of Staff has come under the scrutiny of a highly classified Defense Department study which may lead to major revisions in both the structure and the operational roles of that body. According to the *New York Times*, the study is a prelude to Secretary of Defense Harold Brown's effort "to blunt the influence of the military leaders," a statement which while substantially true, oversimplifies the issue. It must be kept in mind that the present structure of the Pentagon hardly facilitates rational military policy or a responsible role and coordinated input in that policy from the nation's military, regardless of Harold Brown's power grab.

In an interview with Lawrence J. Korb, a professor of Management at the Naval War College and the author of a recently published book, *The Joint Chiefs of Staff*, it was learned that the current Pentagon study will probably move in two directions. (1) It will seek to redefine the command status of the Joint Chiefs which has been very ambiguous over the 25 years of its existence. (2) It will seek to strengthen central planning capabilities as opposed to the separate, generally "turf"-oriented, service inputs to that process. This latter aspect will probably involve the elimination of the "dual role" of Joint Chiefs members, each of which functions simultaneously as his respective service chief. It will

thus allow the Staff to perform more of a role as a general staff for the planning of personnel, operations, logistics, plans, policy, and communications.

Professor Korb added that the *Times* article mentions increased planning capabilities while simultaneously noting that the size of the Joint Staff would be reduced from its present compliment of 400 officers, two mutually opposite ends.

The command function of the Joint Chiefs is even more politically sensitive. It has been a generally accepted, although not legally defined, position that the Joint Chiefs would act as command liaison between the Secretary of Defense and operational military commands in the field. However, the Secretary of Defense has the legal authority to order field operations directly and to bypass the Joint Chiefs, something which was done most frequently and with increasing resentment during the reign of Robert McNamara as Secretary of Defense. If the Joint Chiefs were officially removed from that chain of command and not replaced with some sort of Pentagon command liaison between field units and the executive levels of President and Secretary, the military command structure would be seriously weakened while further contributing to the isolation and increasing depoliticization of the nation's military.

# Fed, Europeans Refuse To Stabilize Dollar; London Moves Into Breach

The situation on the international money markets last week can be, and frequently was, best described as a mess.

## FOREIGN EXCHANGE

Under conditions of acute dollar instability, the Bank of England and City of London maneuvered to prop up the pound sterling and disrupt the Western European joint currency float. Elsewhere, financial policymakers showed as little sense as courage; the Carter Administration tried to shore up the dollar and its domestic constituencies by proclaiming its affectionate confidence in Federal Reserve Chairman Arthur Burns, who in turn uttered knee-jerk pledges to control the expansion of U.S. monetary aggregates and fend off "talking down" of the dollar.

Worse yet, at a special Nov. 7 meeting of the Bank for International Settlements — the clearinghouse organization of central banks — Fed Governor Henry Wallich, on behalf of the U.S., made a culpable if impotent pledge to push for severe petroleum import cuts, which, by a Laputan logic shared by no observer who relates currency value to industrial health, are supposed to reverse the dollar's depreciation through trimming the national trade deficit.

At the meeting, Japanese financial authorities proposed concerted central bank intervention to support the dollar in the markets, an action which would leave certain banks holding a glut of unwanted dollars à la 1971 unless broad monetary restructuring were simultaneously undertaken. The howls of Japan's BIS opponents, however, centered around the assertion that Japan itself should spend more abroad and cut its own trade surplus; after the Japanese delegates humbly agreed to buy \$3 billion of extra imports, the others agreed to joint support of the dollar — support which, however, failed to effectively occur later in the week.

At the same time, London, with some smugness promised to set a target for sterling crossrates, rather than letting the pound "float" up; in fact, the pound strength of the week before was already being eroded Nov. 7-8, owing partly to labor disputes and partly to the sheer fact that the float removed the speculative incentive to hold pounds, namely, the expectation that sterling was being artificially undervalued by the Bank of England and would later appreciate. The British stock market sagged, and not only did Swiss investors dump half a billion pounds, but German holders were visibly selling off their British Treasury "gilts."

## Openings for London Warfare

In the wake of the BIS's refusal to take any potent steps, the City of London tried a further ploy on Nov. 8, which succeeded in temporarily bolstering the pound. A Paris-based weekly, *Al Nahar*, released to the Associated Press wire service the rumor that Saudi Arabia is seriously discussing making the pound, not the dollar, a significant medium of its oil payments, as it was until two years ago. "The market believed the report because it is logical," smirked the *Wall Street Journal*; in fact, the report briefly pushed the pound up only two cents, but most to the point is the nature of *Al Nahar*, which is controlled by the special-operations, MI-6 faction around Lord Harmsworth and Robert Swann, the dirty-tricks specialist who serves as British delegate to the European-Arab Conference.

The dollar, meanwhile, reached record lows against the West German and Swiss currencies on Nov. 7, and no impressive recovery has since occurred. On Nov. 9, Burns told the Senate Banking Committee that monetary growth rate targets will have to be tightened, and the dollar could not be allowed to fall further or the U.S. economy would suffer. Not only did Burns fail to stabilize the dollar with this verbal magic, it appeared to reflect the BIS-level pact to impose austerity and oil import cutbacks on the U.S.

Shortly after Burns's statement, the French franc started to plummet to alltime lows, and the French central bank had to make heavy franc purchases to hold up the rates, at an official clip of \$50 billion a day at the first part of the week, and, according to the French daily *Le Monde*, a good deal more unofficially. Eurofranc rates for short-term holdings were zooming up as dealers prepared to take short positions against the currency. The explanation for the franc's weakness was supposedly the weakness in French interest rates and political uncertainty around the 1978 elections, but neither factor is a new one; it appears that certain New York commercial banks decided to put a scare into French policymaking circles, and started a selling wave.

## "Snake" In Jeopardy

At the same time, the weaker currencies in the continental "snake" — which keeps the members' rates within a narrow limit vis-à-vis each other — also started sinking for the first time since the Scandinavian devaluations. Despite persistent denials by Belgian authorities, rumors persist that the Belgian franc will leave the snake, along with the Danish and Norwegian crowns. This would, of course, effectively dissolve the West German-dominated snake, a move persistently advocated in the U.S. by Chase Manhattan and Bankers Trust in particular. The arch-opponents of the snake are,

though, the City of London controllers of Roy Jenkins, European Community Commission footpad, who has proposed to undermine Franco-German monetary and industrial cooperation by introducing a "monetary integration" of the Common Market that would share out British-style inflation while wrecking national control of investment.

In short, despite the refusal of a pro-pound craze to materialize once the *Al Nahar* rumor was discredited, London is still out to cannibalize the production portion of dollar-sector assets and gain control of world speculative capital flows, as trumpeted in the Nov. 9 *Guardian* by columnist Hamish Macrae under the headline, "Demise of the Dollar." Macrae outlines a future run against the dollar precipitated by "a switch of OPEC countries'

revenues out of the dollar" à la *Al Nahar*, and concludes by bragging that for the first time since 1972, an internationally marketed medium-term bond has been denominated in sterling (by S.G. Warburg for the European Coal and Steel Community).

British demolition of the "snake" — which would also have immediate disruptive effects on European trade payments — might, of course, backfire, and force the French and West Germans to replace what is, at this point, merely a defensive instrument with new channels of coordination, speeding up their timetable for international development bank arrangements. Until this occurs, the currency front will remain a very weak flank indeed for progrowth forces in Europe as well as the U.S. and Japan.

## The Basel Washerwoman's Cartel

*The following statement was issued on Nov. 4 by U.S. Labor Party chairman Lyndon H. LaRouche, Jr.*

The recent meeting of the powerful Bank of International Settlements (BIS) at Basel, Switzerland turned out like an economics debate among drunken adolescents in an El Paso, Texas pool and snooker hall. The net result of the BIS meeting was the establishment of an international washerwoman's cartel.

The image of the drunken snooker-session is morally no exaggeration. The incompetence of the BIS staggers the professional imagination as much as the meeting's results are already staggering the U.S. dollar and economy.

In brief, it was agreed in effect that the USA should balance its foreign trade by increasing its exports while decreasing its imports. Given the present situation in the world market as a whole, what is being proposed by the BIS meeting's outcome is that all nations simultaneously increase total world exports, while reducing total world imports.

Among economists and management consultants in the USA such harebrained schemes are traditionally identified as "taking in each other's laundry." It used to be said of a chill, rainy season in Miami, that the hotels attempted to survive a collapse of the tourist trade by such means. Now, the world's principal central bankers have, on balance, come up with the same derisible schemes as a proposed band-aid cure for the present depression. The BIS meeting turned the world's principal central bankers into an international washerwoman's cartel.

It is a fact that the majority of the world's leading bankers are hopelessly incompetent in economics, but most of them are not usually fools in monetary matters. The newsworthy feature of their performance during the Basel fiasco is that the BIS behaved on balance as a gang of cretins on the monetary side.

The general reasons for this astonishing cretinism by the BIS ought to be well known.

The general cause for the falling USA trade-balance is the slashing of the Third World nations' hard-commodity capital inflows. Under drastic pressures from Henry Kissinger and his allies, the August 1976 Colombo, Sri Lanka resolution was crushed by combinations of goonery and Kissinger's role on the political side. The IMF, World Bank and key New York, London, Chicago and Swiss banks forced developing nations to make savage cuts in imports and to stop capital development programs. So, during Kissinger's tenure, beginning with the Kissinger-directed bloody horror-show of September 1973 in Chile, the trend has been for looting Third World production levels, in order to concentrate all international capital flows of these nations into support of a Eurodollar financial bubble in international debt refinancing. This Kissinger-spearheaded loansharking orgy has dried up USA export markets both directly, as in Latin America most notably, and indirectly, in respect to USA exports to other OECD nations which themselves have suffered the effects of a spiralling contraction in Third World export markets.

Until Kissinger's lunatic policies are repudiated and reversed, this situation must worsen, and the present world depression must accelerate on its downward course. The present collapse of the USA's dollar is primarily a heritage of Henry Kissinger's tenure at the State Department, and a result of the continuation of the same foolish basic policies by the Fabians, like Blumenthal and Schlesinger, presently controlling U.S. economic and monetary policies.

### *The Alternative*

The only way to stop this collapse is to effect a general reorganization of the Third World and related debt, which means to "freeze" all sections of the Eurodollar market but those elements which are either in hard-commodity form or immediately convertible to hard-commodity forms. A new, gold-based international monetary system must be established, bringing in Third World nations one-by-one, on condition that those nations convert their banking system to national banking along the lines exemplified by Alexander Hamilton's policies and



conceptions. That method will immediately reverse the present depression, by opening up the Third World for massive inflows as long-term, hard-commodity capital from OECD nations such as the USA.

This fact is known to every leading banker and principal industrialist in the world, as to most of the governments of the world, both in the OECD nations and the Third World. Privately, the overwhelming majority of such officials has already agreed in major detail with the U.S. Labor Party's programmatic analysis.

The reason these programmatic analyses have not been put into practice already is the dominance of forces allied with Lazard Freres and like-minded forces centering around the City of London and Manhattan. Henry Kissinger's goon-show performances and the massive operations of the British Monarchy's intelligence networks have terrified otherwise sane and sensible governments, bankers, and industrialists into capitulating along lines typified by the 1975 Rambouillet Summit in France.

The key to the gross stupidity of the recent BIS meeting is that the majority of the nations represented lacked the guts to take on London and Blumenthal directly. So, in groveling before London and Lazard, these bankers attempted to retain a sort of shallow appearance of dignity for themselves by concocting fantastically foolish rationalizations. The result of the combined London insanity and the cowardice of others was the international washerwoman's cartel.

So, for the moment, the world staggers down the road to a deeper depression under the guidance of a policy which is not only foolish but downright imbecilic.

#### *The Schlesinger Factor*

Rostow-allied ultra-Fabian James R. Schlesinger is a key factor in the savage deepening of the world depression and thus a principal cause of the collapse of the USA dollar.

Without increased energy-density in basic production in industry and agriculture, no economic recovery is possible, either in the OECD nations or the developing nations. The principal parameter of high social productivity in industry and agriculture is rising energy-densities of infra-structure. Without massive energy products in the Third World, no sustainable program of hard-commodity capital-flow into that sector exists. Without a major emphasis on export of full-cycle fission-energy production in the Third World, there is no feasible solution to the present depression.

For related reasons, without a massive commitment to a full-fuel-cycle fission energy-production and forced development of fusion energy in the United States, there is no technological basis for halting the growth of black unemployment in the U.S.

The black worker has two principal routes to an economic future open to him or her. One, which has been excessively emphasized during the 1960s and 1970s, is in bureaucratic, clerical and related non-productive em-

ployment, especially on government payrolls. The other is seen in the growing ratio of black skilled and semi-skilled operatives in basic industry and related forms of productive employment. In socio-economic terms, basic industry is the way for the black worker and the black worker's household. It is the pathway through semi-skilled into skilled employment, to technician and engineering positions, and into standards of household and neighborhood life in which an increasing ratio of scientific professionals is achieved among that sector of the population. This typifies the case applicable to so-called minorities in general.

While the U.S. Labor Party is specially preoccupied with these and related problems of the black and hispanic strata in the USA, we are citing that point here because of the immediate correlation between employment of black skilled and semi-skilled operatives and the basic health of the U.S. economy as a whole. It is the rate of productive employment of skilled and semi-skilled operatives which is the indicative parameter of national economic health. And the rates of black skilled and semi-skilled industrial employment are the color-visible key indicators of the rates of employment of operatives generally.

The one technology which is the key to a revival of basic U.S. industry is fission and fusion technology. It is only fission and fusion technology which can generate massive revivals of employment and production-rates in such up-stream supplier industries as steel and related basic industries.

By attempting to destroy fission and fusion development, and with the aid of a stupid "non-proliferation" argument, Schlesinger and his cronies are in fact sabotaging the U.S. economy massively from within. Schlesinger and Felix Rohatyn are the visible spokesmen of the enemy "fifth column" inside the United States.

The Schlesinger "energy-saving" program is worse than a farce. In general, the methods of "energy-saving" proposed by Schlesinger *cost more energy than they save*. This short-term energy-saving accomplished will be less than the energy which must be wasted to put the so-called energy-saving measures into effect. The most important aspect of the energy-consumption-reduction program is not, however, the so-called energy-saving part, but the effort to eliminate large chunks of high-technology production in favor of low-energy, labor-intensive forms of make-work employment. This means a drastic drop in the average social-productivity of the U.S. economy, plus a worsening of the effects through non-productive, leaf-raking, Humphrey-Hawkins-type or CETA-type boondoggles in the name of "full employment."

Obviously, only a pathetically ignorant layman or a raving professional lunatic could support Schlesinger's treasonous proposals, or tolerate the degradation of the world economy to an international washerwoman's cartel.

# Japan Sets Energy Links With USSR

## In Response To Rigged Currency, Oil Crisis

Intense pressure from the U.S. Treasury Secretary Werner Blumenthal on the Japanese yen and pressure from Richard Struass, U.S. GATT negotiator, has produced precisely the opposite response in Japan the U.S. Administration had intended. In the last weeks, the Japanese have sought to fight for the survival of their economy by achieving a new level of economic cooperation with the Soviet Union.

The Japan-Soviet deals include the following:

1) On Nov. 18, a private level agreement will be signed whereby Japan will supply four nuclear reactors to the Soviet Union and the two countries will begin cooperative efforts in research and development of both fission and fusion power. The Soviet delegate, A. Petrosyants, chairman of the Soviet State Committee for Utilization of Atomic Energy, will also arrange for a January 1978 meeting of a government level cooperative committee. An agreement to set up such a government level committee had been signed in 1973 but its meeting had been blocked up until now.

2) On Nov. 15, in San Francisco a three-way meeting will be held including the Soviet External Trade Organization, such U.S. companies as El Paso Natural Gas and Occidental Petroleum, and the Japan-Soviet Trade Committee of Japan's business federation, Keidanren. At the meeting the Soviets will propose an \$8-\$20 billion joint investment in the Yakutsk (Siberia) natural gas project. Japan and the U.S. would each receive 10 billion cubic meters of natural gas per year for 33 years. This would supply energy equal to 1.5 percent of Japan's current annual oil consumption. This offer follows a recent major discovery of oil at the Sakhalin fields (Siberia) which involved participation by Gulf Oil of the U.S. as well as a Japanese consortium. The amount of oil from one field alone is equal to 1.5 percent of Japan's current consumption.

3) Japan and the USSR are now discussing a major transport project which would involve building the necessary transport infrastructure for Siberian development as well as containerizing Soviet and Japanese ports.

### "U.S. Plotting Something Horrible"

This week, the Japanese also began to bring into the light the intentions of Messrs. Blumenthal and Strauss, not only against the Japanese economy but that of the U.S. The Nov. 6 *Yomiuri Daily News* reported that government sources say that the "abnormal" currency pressure on the yen and other currencies was partly instigated by Blumenthal and partly caused by the U.S. trade deficit, itself a product of high oil imports. The reason for such high oil imports? The U.S. is adhering to

a policy "of not consuming domestically produced oil" because "the U.S. is plotting something horrible." The *Asahi Daily News* Nov. 3 had spelled it out: "The assessment of the U.S. is that a new Mideast war may be near."

The Japanese government source recognized that there is a severe fight within the U.S. Administration over these issues. Trade negotiator Robert Strauss was scheduled to visit Japan in mid-November, but his trip was postponed for at least two months because of "lack of consensus within the Administration," say Japanese government sources.

Deputy Trade negotiator Alan Wolff told a Japan Society meeting in New York that Japan's entire economic structure, particularly the close linkages of producers, traders and bankers, impeded imports. It is this system which allowed the technological development of Japan's economy.

Japan's representatives have tried to make a deal with more conciliatory sections of the Administration. Japan offered to take \$3 billion worth of emergency imports on a world scale including a \$1 billion worth of uranium from the U.S. and according to the Nov. 6 *Yomiuri*, one faction of the Administration is agreeable: Japan threatens to buy enriched uranium from the USSR if the U.S. won't sell.

Similarly, the Federal Power Commission is reportedly trying to block acceptance of the Soviet-Japan efforts to develop the Yakutsk natural gas project. In contrast, informed sources reveal that individuals such as Pepsi Cola's Donald Kendall and foreign policy expert George Kennan are urging U.S. participation.

According to the Japanese press, at the request of "the U.S. government," Japan and West Germany are urging Indonesia and Iran respectively to freeze oil prices for another year.

Japan is also seeking international cooperation to halt currency speculation with Bank of Japan Governor Morinaga making coordinating efforts with West Germany.

### China Gambit

At the Bank of International Settlements meeting last week, bankers associated with the City of London answered Japan's proposal for international coordination by diverting discussion to Japan's trade surplus.

Another option to wreck the emerging Japan-USSR cooperation is the debate over the as yet unsigned Japan-China treaty. China has been pressuring Japan to sign a treaty which includes a clause attacking "hegemonism," widely seen as a codeword for opposition to the Soviet Union. Japan's Foreign Ministry has opposed signing on grounds that this would disrupt trade and other relations with the USSR. Suddenly over the last ten days, the Foreign Ministry reversed itself, and has urged signing of the treaty to "call the Soviet Union's bluff."

# Beefed-Up Exim Bank Touted As Dollar Crisis Solution

Widespread discussions are currently underway throughout U.S. business, banking, and government circles on expanded funding of the Export-Import Bank. A revival of the ExIm Bank — which has been in the doldrums since the passage of the Trade Act of 1974 — is being seen as a way to ensure the survival of the collapsing dollar through increased government credits and guarantees for U.S. exports. That view represents a first approximation of U.S. Labor Party Chairman Lyndon H. LaRouche's proposal for national and international "Hamiltonian" banks functioning as sources of low-interest credit for large-scale expansion of U.S. industry and high technology.

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## BUSINESS OUTLOOK

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Early last week, *Handelsblatt*, the newspaper of West German industry, reported that President Carter wants to increase Exim Bank funding by \$5 billion to \$10 billion, a decision *Handelsblatt* heartily applauded. Ranking officials at the State Department division of Monetary Affairs, the Treasury, and the Federal Reserve have confirmed that such considerations are being discussed. One former Treasury official under the Ford Administration suggested that the Saudis might use their petrodollar surplus to invest in long-term ExIm Bank bonds, both providing funding for U.S. exports and strengthening their own dollar holdings. While most Administration officials do not think such action is likely, the chief economist of a leading New York commercial bank remarked, "I don't see why it couldn't be done, and why the Saudis would not fund the ExIm Bank. After all, they work with other institutions like the International Monetary Fund and World bank."

The National Foreign Trade Council, meeting in New York last week, similarly endorsed the ExIm proposal, and said at a press briefing, "The commercial banks have been pushing ExIm to make a turnaround. We've also had indications from the Administration that they will pursue a more aggressive policy regarding the ExIm Bank. It's languished for a while, and in fact, in the past few years there's been a contraction."

Expressing the widespread hatred of business and banking for Treasury Secretary Blumenthal's policy of letting the dollar collapse to levels of Third World currencies, a senior spokesman at Bear Stearns angrily stated, "ExIm funding should not only be doubled, but

tripled and quadrupled. If we continue with Blumenthal's stupidity, in ten years the technological leadership of the U.S. will be lost, for two reasons: the drastic decline in both R and D funding and capital investment, because U.S. corporations are getting hit from all sides."

Despite the general interest and agreement in expanding the ExIm Bank, no one has yet *publicly* proposed concrete measures to do so. Corporate officials openly express their lack of accessibility to top Administration officials and are at least temporarily resigned to half-hearted policy proposals that make concessions to President Carter's insistence on energy conservation and austerity. One corporate chairman at the National Foreign Trade Council frankly acknowledged his demoralization. "The Administration is thoroughly confused. I don't think they have any idea what they are doing, so it's hard to know what impact we will have on them."

### *Latin America The First Step*

Reports from Latin America, however, indicate a renewed push by the ExIm Bank in that sector. In Colombia, the ExIm Bank has cut its interest rates within recent weeks. It has made its first loan commitments to that country in two years, and expressed interest in funding projects to develop such resources as nickel, copper, and coal.

John Moore, the president of the bank, is currently on a two and a half week trip to Venezuela and Brazil to discuss increasing exports. In Venezuela, he was followed by a group of businessmen from the National Association of Contractors, under the auspices of the Commerce Department. President Perez addressed the delegation, stressing the regrettable absence of U.S. corporations from bidding in Venezuela's development projects.

Moore's organizing tour is being met with concerted opposition. An inflammatory article in the *Washington Post* — known to back Blumenthal — described Brazilian torture and then said that "the heating up of the political prisoners issue here coincides with the visit of Moore..." While one ExIm official reports that a fight is raging within the Administration over export policy, the Institute for Policy Studies is leading the attack against any ExIm Bank revival. Through its Center for International Policy, it has published an elaborate study on "Human Rights and the U.S. Foreign Assistance Program," arguing that Congress has insufficient veto power over ExIm and other foreign aid.

# The Grand Duchy of Luxembourg Prepares Way For Increased Role For Gold

West German and French bankers, led by West Germany's Dresdner Bank, are setting up the Grand Duchy of Luxembourg as their own off-shore banking and gold-purchasing center in angry competition with the City of London. The Luxembourg plan, which has been made increasingly public over the past few months, and dates back as far as ten years ago when West German banks began to use the Duchy for independent Euromarket operations, is scheduled to enter a completely new phase on January 1, 1978.

Two new international gold regulations which go into effect on that date will greatly increase Luxembourg's leverage in competition with London. First, as reported by an official of the West German Finance Ministry earlier this week, on Jan. 1 the current Rambouillet agreements which forbid central bankers from trading gold with each other will expire. The official explained that "This could allow gold to play a role in reshaping the international monetary system."

Secondly, on the same date, new tax laws will go into effect in Luxembourg allowing much larger tax-free purchases of gold by the dominant foreign banks.

Preparing for these developments, the Dresdner Bank, West Germany's second largest, has been taking a strong position in gold in the recent months. The Dresdner Bank's role in the Luxembourg plan was initiated by its

former chairman Jürgen Ponto who, on July 29 was assassinated by a team of Baader-Meinhof terrorists. It is widely known throughout leading Western European industrial and government circles that Ponto's murder was not unrelated to his enmity to the City of London.

Well-placed Italian sources recently reported that City of London banking operatives are already attempting to acquire some sneaky influence in the Luxembourg operation. Their ability to gain a disruptive foothold there will largely be based on whether or not the organizers behind Luxembourg stick to the industrial development policies conceived by Ponto and his allies.

For example, the Dresdner Bank recently proposed that a special fund of 150 billion Deutschmarks be created for investments in Europe's nuclear energy, to be based in Luxembourg. In addition, it is known that Luxembourg's founders have also been involved in trying to attract Arab petrodollar funds into investments in European equities.

Importantly, Italian financial newspapers such as *Il Fiorino* recently began to cover Luxembourg's founding. While largely a Franco-West German endeavor with certain Belgian input, inclusion of Italian industrial forces in this plan will greatly strengthen the hand against London.

## How The Luxembourg Tax Laws Will Work

Finance Minister Jacques Poos of the Grand Duchy of Luxembourg announced a five-point program in September to encourage more foreign banks to settle operations in Luxembourg, in addition to the 80-odd institutions already there.

The most important development in this plan relates to the liberalization of the gold trade. Beginning on Jan. 1, 1978, transactions in bullion and gold coins will be freed from the 10 percent value-added tax. This will enable Luxembourg to draw a considerable amount of business away from the London and Zurich exchanges.

Up until the spring of this year, Zurich, to a large extent, functioned as Europe's major secondary gold market to London. In May and June, however, a major scandal was unleashed by opponents of Gaullist-linked Euromarket operators, which resulted in the closing down of Zurich's "secret" banking accounting methods. Soon after, the Luxembourg plan was launched.

Luxembourg also plans to permit these foreign banks to avoid double taxation on their earnings from major loans, especially on loans issued to Third World countries. At present, Luxembourg has

treaties permitting such tax benefits with only eight other governments, which has forced many of its resident banks to work through the Caribbean or London on Euroloan transactions.

To aid foreign banks in their attempts to promote bank capital formation in their Luxembourg branches, it is also intended to permit to allow these foreign banks to credit against their Luxembourg taxes the interest on loans issued by these foreign banks to their Luxembourg outposts. Finally, the present coupon tax on interest income on Luxembourg bond issues of 5 percent is to be dropped.

It is broadly estimated, at this early date, the enactment of this legislation will increase Luxembourg's share of the total Euromarket from 17 percent at this time to 25 percent. However, if these laws are enacted in coordination with a push by European Gaullist forces, especially in France, to introduce gold as a stabilizing reserve in the international monetary system, Luxembourg's share as a Euro-market for investments in industrial equities could be much larger.

# What's Wrong With The Canadian Economy

A rapid sequence of developments dating from late October announced to the world that the Canadian economy is bankrupt. In the week of Oct. 22, the official unemployment figures for the third financial quarter were announced at 8.3 percent, the highest level since the 1930s; Inco Ltd., one of the world's largest nickel producers, announced a production cutback of 20 percent; and the Canadian dollar hit a 40-year low, diving below a 90-cent exchange rate for the U.S. dollar for the first time since 1935.

Canada's trade and production in recent years that has led to the present emergency. This decline is a more specific reflection of the increased inability of the entire North American economy to generate sufficient rates of surplus for further development. That surplus, translated into capital investment, is the life's blood of Canada; without it, the Canadian economy is becoming incapable of supporting national financial and monetary requirements under conditions of general world inflation.

## CANADIAN ECONOMIC SURVEY

The accelerating Canadian collapse points up the progressive decline of the North American continental economy, throughout the post-World War II period, which has made the present crisis inevitable — short of a total international financial policy reorganization. The earlier deterioration of the Canadian economy relative to the U.S., has not been primarily due to "local mismanagement" on the part of Canadians (nor to maliciousness on the part of the U.S. shareholders in Canadian industry), but to Canada's unique place as an area for sound capital investment.

Canadian economic surveys commonly explain the deterioration of Canada's overall balance-of-payments position as the result of a "dichotomy" between Canada's characteristic merchandise-based trade surplus and spiraling capital outflow, when there is in fact no such dichotomy. On the contrary, this present analysis will demonstrate that it is the rapid decline in

### The Gravity of the Current Crisis

A glance at the indices summarized in Graphs 1 and 2 will convince even the most optimistic that extension of current trends on even a near-term basis will only lead to full-scale collapse of the Canadian economy. Starting with the close of 1973, Canada's current-account balance plummeted from a surplus to a \$4 billion deficit with a deficit of \$5 billion minimally projected for 1977.

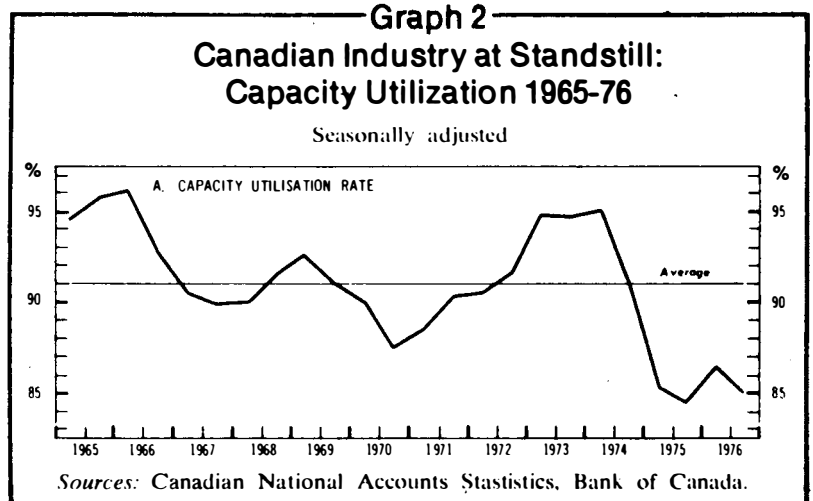
Over the same period the merchandise-trade balance has faltered, going into the red in 1975 with only a partial recovery the following year. Although this year's trade (surplus) is expected to rise above 1976 value, it will still be below the 1973 surplus of about \$3 billion. Filling the gap between the trade and current-account balances, foreign borrowings over the same period doubled total Canadian international indebtedness. The additional interest and dividend obligations contributed an additional \$1.5 billion to the annual current-account deficit by 1976. As a result, Canada has become one of the world's most indebted nations, with an outstanding foreign debt burden of about \$54.5 billion.

The collapse of production is illustrated in Graph 2 by the decline in utilization of Canadian industrial capacity from near full capacity in 1974 to only 85 percent capacity by 1976. Many indicators, including recent announcements of mining cutbacks make clear that the industrial used capacity is already significantly lower. Government reports on industry show, for example, that in January 1977 for the first time on record 12 of Canada's

Graph 1



Graph 2

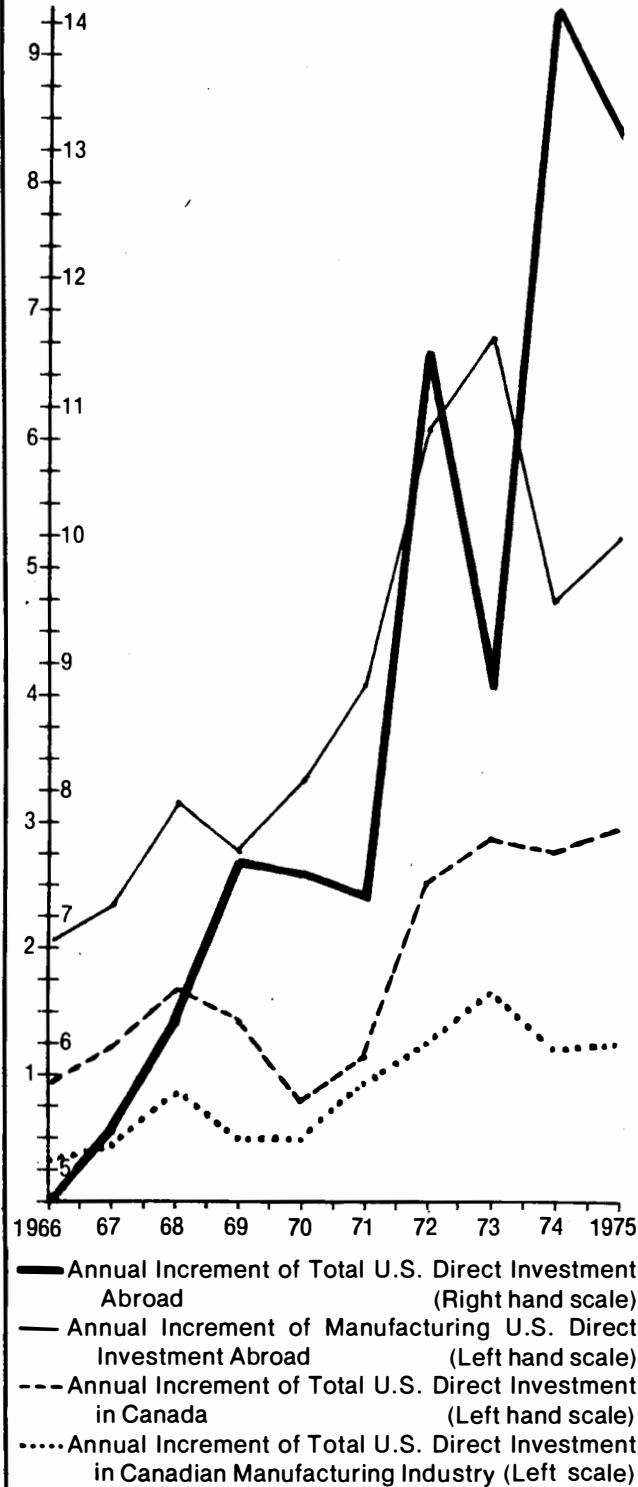


26 pig iron furnaces — representing 10 percent total productive capacity — lay idle. Previous years' reports

show at most only 2 to 3 smaller furnaces idle at any one time. The rate of cannibalization of production is also reflected in the official unemployment tally, which jumped 0.2 percent during August to a total of 8.3 percent, a national rate not seen since the Great Depression of the 1930s..

Graph 3

**U.S. Direct Investment,  
Lifeline To Canadian Economy,**  
(Billions of Current U.S. Dollars)



Source: Survey of Current Business

Canadian financial and monetary parameters only complement the above picture. A current projected rate of real economic growth for 1977 of at best two percent is being overwhelmed by an annual inflation rate (as of September) of 8.4 percent, according to the Consumer Price Index. Following the late October nosedive of the Canadian dollar to below the 90 cent "psychological threshold," Finance Minister Jean Chrétien announced the creation of a \$1.5 billion standby (i.e., bailout) loan fund, arranged for the Canadian government by major Canadian commercial banks operating on the European markets. The move was necessitated by the depletion of Bank of Canada (BOC) foreign-reserve holdings following support operations for the Canadian dollar in September.

The collapse of the Canadian dollar by over 10 percent relative to its U.S. counterpart and by an average of 25 percent relative to other major currencies since the end of 1976 has created multiple strains on national finances. In addition to raising the price of imports, the devaluation has multiplied the pressure of the debt burden. Since many major Canadian borrowings, including those of the large Provincial power utilities like Hydro Ontario are denominated in U.S. dollars, the collapse of the Canadian collar effects a significant increase in overall indebtedness.

*The U.S. — Canada's Economic Parent*

The breakdown shown in Table 1 of total earnings on U.S. direct investment abroad between the years 1966 and 1976, as well as the percentage of those earnings reinvested in different national sectors and subsectors, demonstrates the precise relationship between the U.S. and Canadian productive economies. The percentage of the total U.S. earnings credited to Canada is the smallest in absolute terms as compared to less-developed countries (LDCs), but in terms of the percentage of total U.S. earnings reinvested abroad, a proportionately higher, and in many cases absolutely higher, proportion of earnings are reinvested in Canada as compared to other sectors. Sixty-one percent of total earnings on U.S. direct investment in Canada is reinvested into the Canadian real economy, as opposed to only 50 percent for Europe and 23 percent for the LDCs. Since 70 percent or more of all foreign direct investment in Canada originates from the U.S., it is obvious that the motor forces of the Canadian industrial economy is its role as a surplus investment of U.S. industry, in a sense not true of any other nation in the world.

This relationship is reflected in a number of ways. Seventy percent of total Canadian merchandise exports go to the U.S., a flow supported until now by numerous tariff concessions favoring the marketing of Canadian goods in the U.S. under GATT agreement.

U.S. ownership by equity of 32 percent of Canadian non-financial industry versus only 10 percent equity ownership by other foreign countries further underscores the relationship. U.S. ownership extends to 62

percent of Canadian petroleum and natural gas industries and 46 percent of Canadian manufacturing industry.

However, it is not U.S. and other foreign ownership of Canadian industry that defines the dependence of Canada on the U.S. economy, but rather Canada's dynamic role as an industrial R and D sector with respect to the U.S. Canada is notably advanced in the high-technology areas of nuclear energy development, telecommunications and other research and development areas. Canada's CANDU (nuclear reactor) program, widely considered to be superior to its U.S. fission counterpart, exemplifies the point.

*Canada: Early Casualty of North American Recession*

Graphs 4 and 5 demonstrate the process underlying Canada's current economic woes. As the recession began with an inflationary spiral after 1973, the manufacturing component of the U.S. direct investment abroad slackened, while inflation artificially drove the total investment figure to new heights (Graph 3). At the same time, total U.S. direct investment in Canadian manufacturing industry began a marked decline. Since the Canadian productive economy represents the generation of a U.S. surplus, no component of direct investment on the Canadian side reflects the inflationary side of the process, hence total U.S. direct investment in Canada leveled off as did investment in specific productive subsectors.

The same principle operates on the earnings side, as seen in Graph 4. Both the total U.S. and Canadian sector earnings on U.S. direct investments rose relative to the proportion of earnings reinvested following 1973, the relative cannibalization with respect to reinvestment served only to antagonize the inflationary component of the earnings figures. Again, earnings credited to actual investment in Canadian manufacturing slipped relative to total earnings, while reinvestment of earnings in Canadian industry began a sharp decline.

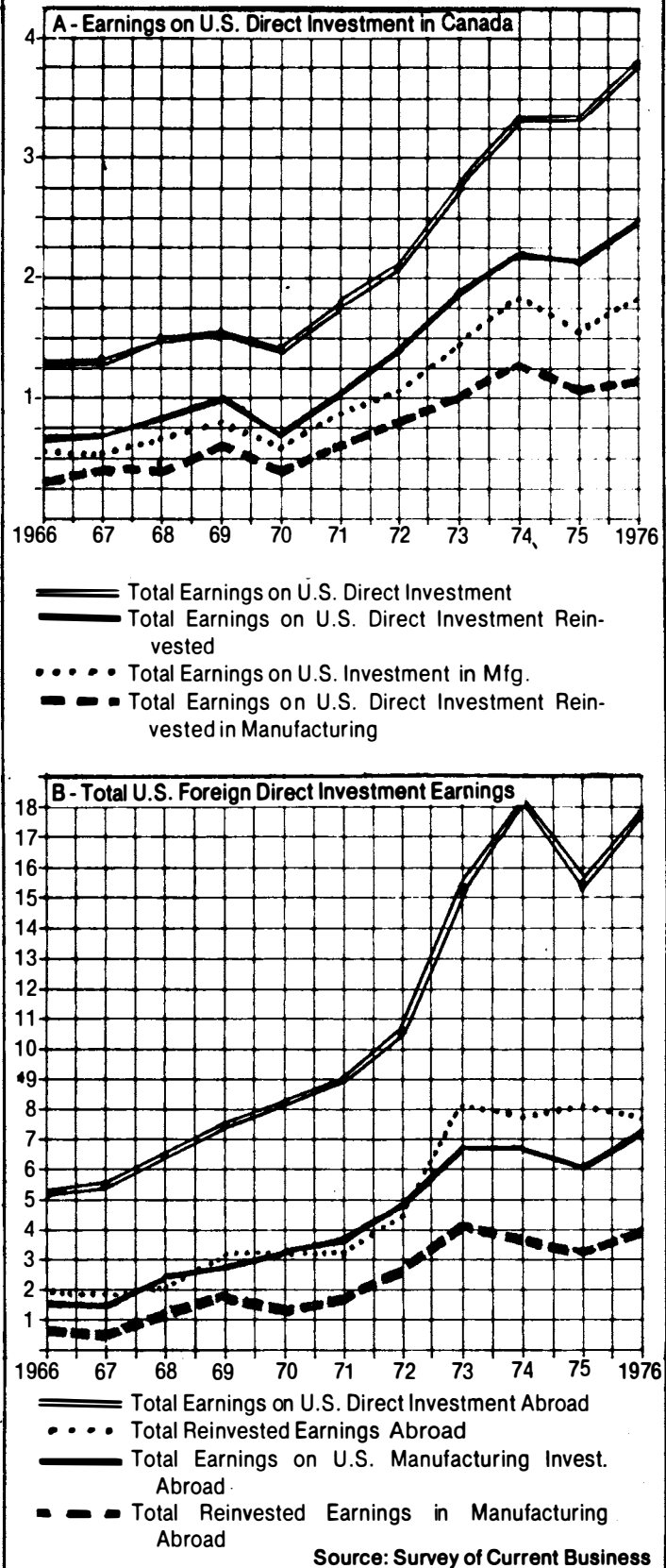
Graph 5 illustrates the operative principle most strikingly. Capital outflow figures from the U.S. soared on the whole after 1970, while outflows going into industry plummeted. For Canada, both total capital outflows and outflows in industry fall sharply whenever the U.S. economy experiences a recessionary binge as in 1968, 1971 and following 1974.

*The Balance-of-Payments Crisis*

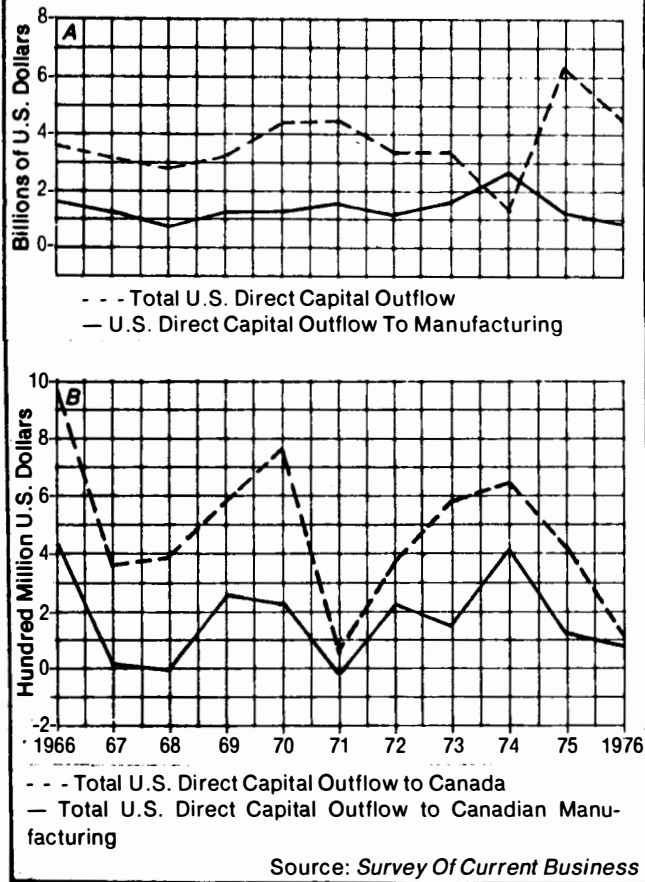
Clearly there is no dichotomy between Canada's emergence since 1973 as one of the world's most indebted nations and the decline of her productive economy. The monetarist terms under which the free world economy has functioned since the 1944 Bretton Woods monetary agreement led to a situation by 1974 in which the total value of dollar-denominated international credit obligations, including outstanding international debt on the account of the International Monetary Fund, World Bank and Eurodollar pools, far exceeded the capacity of the world's productive economy to support it. The monetary bubble was in effect developed through the effective cannibalization of potential investment in the real economy during the entire period.

As inroads into the productive account were continued to maintain the debt bubble following the post-1973

**Graph 4**  
**Reinvestment Sags As Depression Deepens**  
(in billions of U.S. dollars)



**Graph 5**  
**Capital Outflows to Canadian Manufacturing Dive As Depression Hits**



collapse of the speculative raw-material market, those sectors (i.e. Canada) that represented outlets for investment of surplus in manufacturing and real production were overwhelmed by the cancerous debt burden. As the investment lifeline to Canadian industry was cut off from abroad, the latter became a bad credit risk overnight.

Canadian commercial banks then began to channel financial investments away from Canada and into the Eurodollar market and other foreign ventures. The Canadian dollar became in short supply and BOC in-

terest rates were raised, which in turn forced faltering Canadian industry, both government and private-owned, and local and provincial governments to turn to the cheaper foreign markets for their annual borrowings. From 1974 until very recently, the Bank of Canada maintained its short-term lending rate at several percent higher than the U.S. rates, a situation only recently reversed by an abrupt rise in the U.S. rates.

With the collapse of the speculative bubble in raw materials and commodities following 1973, the last inflationary "stimulus" to Canadian production — with the single exception of the auto industry — evaporated. Table 2 demonstrates the decline and leveling off of production of Canada's key raw-material exports following the 1972-74 peak. Raw materials account for 30 percent of Canada's annual merchandise export market. With only the agricultural sector and the auto subsector of manufacturing sustaining net increases in annual production levels after 1974, almost 70 percent of Canada's total productive capacity in terms of export-market value, is in an accelerating state of collapse.

*Canadian Politics Effects Rate, Not Form of Collapse*

Canadian political developments, as well as foreign political initiatives impinging upon Canada, have only served to accelerate certain aspects of Canada's mounting crisis but have not significantly shaped the course of developments per se. The foregoing analysis effectively demonstrates that every element of Canada's current predicament follows lawfully from its unique role in the North American economy as a whole. A number of specific political factors affecting the immediate course of developments are worth mentioning however.

The decision of Quebec to secede from the Canadian union under the direction of proclaimed British mimic René Levesque, leader of the Parti Quebecois (PQ) provincial government, has antagonized the pressures of the foreign debt burden and has undermined confidence in the security of foreign investment in Canada's second most industrialized province.

Since the provincial takeover of the Quebec Hydro utility industry in the early 1960s, a move which anticipated the 1976 PQ victory, the Quebec provincial and local governments as well as the major public utilities, including Hydro-Quebec, have been barred from the domestic credit market and have been forced to rely

**Table 1**  
**Earnings and Reinvested Earnings**  
**On U.S. Direct Investment Abroad**  
 (cumulative % 1966-1976)

	Canada			Europe			Developing Nations		
	Total	Mfg	Petrol	Total	Mfg	Petrol	Total	Mfg	Petrol
% Total Earnings on U.S. Foreign Direct Investment	20.0	25.0	13.9	29.6	48.1	5.0	39.2	17.2	70.4
% Total U.S. Reinvested Earnings on Direct Investment	29.0	30.0	39.3	40	43.7	10.7	21.9	18.0	24.9
RIE as % Earnings Credited to Each Sector & Subsector	61	67	63	50	51	47	23	59	8



completely on foreign borrowing to meet annual budget requirements beyond internally generated funds. (This does not give credence to recent PQ claims that Quebec is "exploited" economically through its relationship to the Canadian confederation but only points out the extra burden which the Quebec political situation has placed on the growth of the Canadian deficit. Quebec annual foreign borrowings currently total over \$1 billion.

The secessionist Parti Quebecois government is also planning to take over the U.S. owned Asbestos Corporation Ltd. as the first step to provincial "nationalization" of the entire asbestos industry. Quebec accounts for 25 percent of current world production of raw asbestos processed at construction sites in the U.S. and Europe. Although Levesque presented the takeover as part of a provincial employment program, requiring reprocessing of raw ore inside the province, all parties to the affair, including top level PQ advisors, admit "off the record" that the scheme is economically unfeasible. Provincial reprocessing would, for example, mean that thousands of tons of heavy cement pipe would have to be shipped long distances to the U.S. and overseas instead of the current, much cheaper practice of reprocessing at or near the site of utilization.

This action has set the tone for a number of analogous "provincial rights" in other provinces. The environmentalist New Democratic Party Premier of Saskatchewan, Alan Blakeney, last year secured the right to enforce a provincial government takeover of the otherwise privately owned potash industry. Blakeney won a Supreme Court battle against federal government attempts to protect the private owners against the "nationalization" with arguments of federal constitutional authority to set raw materials policy.

Not to be outdone, Prime Minister Trudeau has announced that he would support the formation of an international nickel cartel to "stabilize the world market" and soften the impact of mass layoffs just announced by Canada's largest nickel producer, Inco Ltd. The Inco production cutback, effective in 1978, amount to a 5 percent cut in world nickel output, since Canada accounts for over one third of world production.

The cartel initiative was seconded by External Affairs Minister Donald Jamieson's announcement that Canada will likely file formal charges against the U.S. firm Amax Inc., for dumping nickel below the production costs on the European market. The charge will be heard before the General Agreement on Trade and Tariffs (GATT) hearings in Europe.

Table 2  
Recent Production Trends of  
Major Canadian Raw Materials  
(million units)

	1972	1973	1974	1975	1976
Asbestos (tons)	1.69	1.86	1.81	1.16	1.69
Nickel (tons)	0.26	0.27	0.29	0.27	0.27
Copper (tons)	0.79	0.91	0.91	0.81	0.80
Nat. Gas (th.Cu.Ft)	2,913	3,119	3,023	3,080	3,086
Petroleum (bl)	560	655	613	575	527

#### Financial Sabotage

Closely related to the "provincial rights" and cartelization are the activities of Walter Gordon, Mel Watkins, and other associates of the London-based International Institute for Strategic Studies. Charging that Canada has been "exploited" by U.S. based "imperialist" industrial owners, Gordon and Watkins succeeded in forcing the 1974 creation of the Foreign Investment Review Act to monitor all bids on Canadian firms. The FIRA has the authority to overrule any such bids not deemed primarily beneficial to the "Canadian" economy. Although FIRA rulings to date have approved more proposals than it has rejected, its creation has served to generate extra tension and uncertainty for industrial investment in Canada.

By helping to undermine confidence in the security of the foreign investment in Canadian production, the existence of the FIRA tends to ensure that an even larger portion of foreign investment in recent years takes the form of cheap buying-up of relatively weak Canadian firms for speculative purposes rather than investment designed to directly stimulate production. Thus the rate of approved foreign takeovers increased rapidly from 63 to 153 in the three years since the FIRA went into operation, a rate approaching that of a period of intense conglomeration of Canadian firms during the 1968-70 recessionary period.

From the standpoint of the mutual interests of the U.S. and Canada, it is the *weakening* of the real production-based relationship of the Canadian economy to the U.S. and the productive needs of the world economy as a whole that is the cause of Canada's present depression skid.

— Peter Wyer

# Carter's Energy Address: Sacrifice And Bust OPEC

In his Nov. 9 nationwide televised address on energy President Carter reiterated his call for a "common national sacrifice," demanding that the American population drastically "cut back on consumption" and "shift away from oil and gas to other sources of energy" like wind and solar power, geothermal, methane and other virtually worthless energy resources.

Most significantly, Carter placed these demands within the political framework developed by his Energy Secretary James R. Schlesinger: that the OPEC "foreign cartel" must be dealt with and America's "excessive reliance on foreign oil" must be stopped.

This bust-OPEC thrust to his speech not only mislocates the energy problem but dangerously undercuts Carter's attempts to negotiate a sound and lasting Middle East peace.

While Carter's election-night speech was so provocative that several congressmen from his own party — including Senators Russell Long and Bennet Johnson of Louisiana — refused to attend a White House reception following the speech, most of the major East coast press analyzed the speech as a "softening" from previous speeches and an indication of Carter's willingness to "compromise." This view, articulated by both the *New York Times* and the *Washington Post*, was based upon certain sops to the oil and gas industry contained in his speech, namely his reference to higher oil and gas prices and his call for more production. "There's the makings of a deal," one Presidential aide commented. The aide, according to the Nov. 10 *New York Times*, saw a deal materializing between the White House, Congress and the oil and gas industry.

While some sort of deal is likely, it appears that conservatives in Congress and the energy industry will be the losers. The *New York Times* described such a deal as essentially "some" rather than "all" of what the Administration originally proposed. This means "some" taxes, "some" forced conversion, "some" continued intra-state controls.

Carter's vetoing of the Clinch River breeder reactor and his last minute decision to cancel his nine-nation foreign trip reflects Schlesinger's continuing strongarm control over the White House. While the breeder vote is purely symbolic at this point, requiring a vote of an additional appropriation to kill the project (see next article), it puts the Administration down on record as opposing this nation and the world's commitment to progress and virtually guarantees that no meaningful "compromise" can be achieved in Congress this session.

Rather than acknowledging this growing sentiment

throughout the population. Carter instead acceded to the tremendously stepped up pressures of the antinuclear energy lobby which dominated his schedule last week. This lobby — composed essentially of environmentalists working privately with Schlesinger — has now upped the ante and are, like the Union of Concerned Scientists, demanding that Carter halt all existing nuclear energy because of the bogus "safety" problem.

## Excerpts From Carter's Nov. 9 Address

... Let me try to describe the size and effect of the problem. Our farmers are the greatest agricultural exporters the world has ever known, but it now takes all the food and the fiber that we export in two years just to pay for just one year of imported oil — about \$45 billion.

This excessive importing of foreign oil is a tremendous and rapidly increasing drain on our national economy. It hurts every American family.

It causes unemployment. Ever \$5 billion increase in oil imports costs us 200,000 American jobs. It costs us business investment...

It makes it harder for us to balance our Federal budget and to finance needed programs for our people...

It pushes up international energy prices...

If this trend continues, the excessive reliance on foreign oil could make the very security of our nation increasingly dependent on uncertain energy supplies...

One problem is that the price of all energy is going up both because of its increasing scarcity and because the price of oil is not set in a free and competitive market. The world price is set by a foreign cartel — the governments of the so-called OPEC nations. That price is now almost five times as great as it was in 1973.

Our biggest problem, however, is that we simply use too much — and waste too much — energy. Our imports have more than tripled in the last 10 years...

There are three things we must do to avoid this danger: first, cut back on consumption; second, shift away from oil and gas to other sources of energy; and third, encourage production of energy here in the United States. These are the purposes of the new energy legislation.

... Another very important question before Congress is how to let the market price for domestic oil go up to reflect the cost of replacing it, while at the same time protecting the American consumers and economy.

We must face an unpleasant fact about energy prices.

They are going up, whether we pass an energy program or not, as fuel becomes more scarce and more expensive to produce...

We will use research and development projects, tax incentives and penalties, and regulatory authority to hasten the shift from oil and gas to coal, to wind and solar

power, to geothermal, methane and other energy sources.

... We should reward individuals and companies who discover and produce new oil and gas, but we must not give them huge windfall profits on their existing wells at the expense of the American people....

## Fast Breeder Still Alive Despite Carter 'Veto'

This press agency was the first to publicly reveal the fact that, due to a number of preemptory moves taken by the Congress, the widely publicized veto by President Carter has not yet killed the controversial appropriations of \$80 million for the Clinch River nuclear fast breeder demonstration project.

As revealed to *NSIPS* by informed Capitol Hill sources, although Carter technically vetoed the so-called authorization bill containing authorization for the Clinch River, Congress, anticipating such a veto, wrote the Appropriations Bill, the bill which voted the actual funds, in such a way that even if the authorization were vetoed, this would not affect the Appropriations Bill which has yet to reach the president's desk. That Appropriations Bill, further, includes the funds for the Clinch River project together with a \$7 billion public works package that also includes the phase-out funding to terminate the B-1 bomber program.

Thus, if the president vetoes that supplemental appropriations bill in order to kill the breeder, he will be forced to resurrect the B-1, a move which would greatly harm his chances of making progress with the Soviet Union on SALT II.

Informed Capital Hill sources speculate that the president will choose instead to sign the full supplemental appropriations bill later this month, then subsequently act to impound the specific funds for the breeder. He can do this under the provisions of the Congressional Budget and Impoundment Act of 1974 by sending Congress a rescission.

This is a highly vulnerable move, far more than a presidential veto which requires a full two-thirds vote of both houses of Congress to overturn. Unless both houses allow such a rescission, the Administration is legally bound to spend the money Congress appropriates. If the President chooses to defer spending, either house can force spending simply by disallowing the deferral.

At a press briefing Nov. 7, Presidential Press Secretary Jody Powell was forced to acknowledge the accuracy of this situation in answer to a detailed query from *NSIPS* outlining the above situation. Powell's reply was a feeble, "whatever action we take on that, it is important that we vetoed the authorization bill." In a subsequent discussion with *NSIPS*, Powell was forced to acknowledge that Carter's veto action was indeed largely "symbolic," stressing that "still, we have several options."

### Congress Debates Clinch River

*The following excerpts from the Nov. 1 Congressional*

*Record recapitulate a debate on the Clinch River Breeder Reactor project between Senator Robert Dole, former Republican vice-presidential candidate, and Senator Dale Bumpers (D-Ark.). The debate occurred on the eve of President Carter's veto of the Clinch River authorization:*

*Dole:* Mr. President, I support the committee's full recommendation for the Clinch River breeder reactor demonstration project — \$80 million — which is the same amount authorized earlier this Congress for the coming fiscal year. This amount will be enough to continue crucial procurement contracts for the reactor, although construction itself will be delayed until fiscal year 1979. This is a balanced and reasonable approach to this controversial project. I will oppose any effort to reduce the funds or to make them contingent on enactment of the authorization bill now before the President.

In July of this year, I expressed my full support for continued funding of the breeder reactor demonstration program. Opponents of the Clinch River project have argued against the program on grounds that it will lead to proliferation of nuclear weapons. They fear that America's policy position against the international spread of nuclear explosives will be somehow undercut by proceeding with the Clinch River project.

Yet France, Britain, and the Soviet Union already have these reactors and are well ahead of the United States in fast breeder reactor technology. Our abandonment of the Clinch River project will not slow proliferation of nuclear arms. The campaign against proliferation should proceed on different grounds. The nonproliferation of nuclear weapons is best encouraged through diplomacy, not restraint of technology.

*Bumpers:* The President originally asked \$33 million (for Clinch River —ed.). My preference would be zero...

Mr. President, I have been disturbed about the whole concept of breeder reactors for a long time... The President has said that he is opposed to the breeder for all time to come. I am not saying that I am opposed to it... What we are saying is this: "Wait a minute. Let's not go off half-cocked and start producing the most lethal substance the world has ever known, in massive quantities, before we know what we are doing and how we are going to dispose of it."

... The best source I have seen on this whole subject comes from a MITRE report... sponsored by the Ford Foundation.

## WPIX-TV Urges Veto Override On Breeder

*New York City's television station WPIX urged in an editorial statement Nov. 9 that Congress override the Clinch River Breeder Reactor veto because it "is essential to the development of a rational energy policy" for the immediate future and because it is an important transition to thermonuclear power. The day before, the New York Daily News — affiliated with WPIX and owned by the Chicago Tribune — editorially reversed its earlier support of the breeder saying its funds could better be spent on fusion research and development. While both editorials correctly view fusion power as the solution to the energy crisis, WPIX, unlike the Daily News, is correct in citing the importance of the breeder as a "bridge" to fusion power.*

... the Management of WPIX continues to believe that the breeder reactor is essential to the development of a rational energy policy, and we urge the Congress to vote to override. It makes no sense at all to make a gesture toward less reliance on nuclear energy, when an impartial examination of the energy needs not only of this country, but the entire world, indicates that nuclear power must play an increasing role in the next step in a technology which is remarkable for its safety record, and the bridge between present technology and nuclear fusion, which, when developed, will solve the energy shortage once and for all.

The Congress acted wisely in voting to continue Clinch River over the President's objections. We believe it should continue to act in wisdom by overriding his veto.

*New York Daily News*, editorial, "Negative Reaction," Nov. 8:

...Although we strongly supported the initial breeder-reactor proposal, we have come to the conclusion that the President is right....

Moreover, the \$2 billion-plus outlay for the pilot plant might better be spent advancing research on fusion energy — the long-term answer to our power needs.

### Is the New York Times Printing the Whole Truth on Breeder Vote?

While the business-connected Wall Street Journal and *Journal of Commerce* both correctly understand that the Clinch River breeder reactor is not dead until Carter votes a second appropriations bill, the New York Times makes no mention of this. Even the Washington Post, while editorially applauding the "political courage" of the "President's first veto," recognizes that the battle is not yet over.

*Journal of Commerce*, Nov. 9:

...However, the presidential veto may not be sufficient to scuttle the project.

Contained in the supplemental appropriations bill that is pending before a House-Senate conference committee is a \$80 million appropriation for the Clinch River project.

While critics of the breeder project would like the President to veto this bill as well, a second presidential veto would mean jeopardizing \$7 billion in other federal projects, including a provision terminating the production of the B-1, another project the President favors ending.

With the supplemental appropriations bill still in conference, the White House refuses to say what action it is going to take....

*Wall Street Journal*, Nov. 7:

The President rejected a bill authorizing funds for energy research and development because it contained \$80 million for a nuclear breeder reactor at Clinch River, Tenn....But the veto, even if sustained, probably won't stop the plant as Congress has already appropriated another \$80 million for it in another bill considered almost veto-proof. House Speaker O'Neill (D-Mass.) had urged the President not to cast a politically troublesome veto on an issue that was thus mainly symbolic, but some Carter advisers apparently saw this as a good opportunity to demonstrate that he won't be pushed around.

*Washington Post*, Nov. 6:

However, he (Carter's chief domestic adviser, Stuart Eizenstat) was unwilling to speculate if Carter will veto an appropriation bill, containing funds for the Clinch River breeder as well as other projects, has yet to reach the President's desk.

These facts were ignored by the *Post* in an editorial, Nov. 8:

...The Clinch River legislation richly deserved to be blocked, and it also raised sufficiently important policy questions to have induced Mr. Carter's first veto — an action the President had evidently hoped to avoid taking at all this year.

Because being overridden or otherwise stared down on a first veto has ripple effects of damage to a President that go beyond the subject at hand, Mr. Carter was taking a pretty hefty risk in deciding to cast his first veto on this bill. It was, in our opinion, worth the high risk, and will be worth a fight of whatever severity is required to see it through. We think the President has shown good judgement on this one, sound values and, yes, political courage.

*Neither a Nov. 6 New York Times news story nor a Nov. 10 editorial make mention of need for a second veto to kill the breeder. Instead, the Times editorial, "Saying No to the Breeder and Meaning It," states the following:*

...But now Mr. Carter has stuck to his guns and fired off his first veto (on the breeder). He was right, memorably right, to do so.

...Mr. Carter had to veto a \$6.7 billion energy research and development bill to block the \$80 million authorized for Clinch River, and he made it plain that he would use all his powers — including the controversial one of impounding funds — to prevent the plutonium breeder from going forward. That took political courage. It will go a long way toward persuading the nuclear industry . . . Congress and the world that this time President Carter means what he says.

## Coleman Nomination Criticized by Energy Austerity Advocates

At Senate Energy Committee confirmation hearings for Lynn R. Coleman as general counsel in the Department of Energy on Nov. 9, Senators William Proxmire (D-Wisc.) and Henry Jackson (D-Wash.) squared off against proponents of energy growth, who had pressured for the nomination, Jackson and Proxmire opposed the nomination of Coleman because he has long represented the interests of the oil and gas industry for expanded production and research and development. As lawyer for the firm of Vinson and Elkins, Coleman has represented such oil companies as Quintana Petroleum and Belco Petroleum. And, as the *Washington Post* noted in a front-page article last week, Coleman is a law partner of former Texas governor John Connally, one of the most vocal supporters of U.S. economic development through high-technology energy expansion.

In testimony submitted in opposition to Coleman's nomination Senator Proxmire declared, "Once again, the Senate is being asked to accept as a high-ranking official in a federal energy agency, yet another nominee whose professional career has been dedicated to the furtherance of the private interests of that industry." And in a letter to Energy Secretary James Schlesinger, Proxmire angrily stated, "if the Department of Energy is going to do an effective job, then it is going to have to win the credibility of the American people from the beginning. The nomination of an oil and gas industry lobbyist to be the chief legal officer of this new department is no way to begin the first major battle — the credibility battle — in the war to save energy...."

Senator Jackson agreed with Proxmire. "I think the problems we face... is whether in light of your association with the law firm, you can credibly perform your job", he told Coleman. The nomination now has to be voted on by the full Senate.

## Environmentalists in Full Deployment to Bankrupt Nuclear Industry

The environmentalist movement is being activated across the nation for a campaign to bankrupt the nuclear industry. Since Carter's symbolic veto of authorization for the Clinch River fast breeder program several parallel operations have gone into motion, each designed to force U.S. nuclear technology development programs

into bankruptcy before Clinch River project and others can be reactivated.

While carefully maintaining a pronuclear facade, energy czar James Schlesinger is playing a key role in coordinating this operation. Schlesinger advocates a divide-and-conquer decentralization strategy for the nuclear industry. "We are pronuclear," Schlesinger's public spokesman, Jim Bishop told an NSIPS reporter recently, "but we believe each local utility company should be responsible for financing their own nuclear energy plants."

The environmentalist groups have quickly exploited this opportunity. "We have found economic arguments the most effective," a spokesman for Ralph Nader's Critical Mass antinuclear organization said. "We are trying to get a bill passed in Congress that will force the utilities to chip in for their cost overruns on nuclear plant construction. The nuclear industry could not exist without the Federal government propping it up," the spokesman argued.

Meanwhile every environmentalist, pacifist, retired antiwar activist who still has a shred of "left" credibility, is on tour against nuclear technology at "teach-ins" on college campuses around the country. The umbrella group coordinating this zero-growth drive is the "Mobilization for Survival" composed of over 40 pacifist, anarchist, and terrorist groups headed by the Institute for Policy Studies, the Washington, D.C.-based terrorist command center made up of former National Security Council and State Department employees.

The Union of Concerned Scientists, a zero-growth antitechnology formation designed to add "scientific" credibility to the environmentalist movement, has also filed a petition with the Nuclear Regulatory Commission, demanding that all 65 operating nuclear power stations in the United States be shut down for an indefinite period until it can be determined that wiring conduits inside the reactor building are safe from fires. "We don't know this is a problem in every reactor, but until we can prove it is not, all should be shut down," a UCS spokesman said when questioned this week.

In a parallel move to force bankruptcy onto the nuclear industry, the Supreme Court this week agreed to review an environmentalist case against the Price-Anderson Act of 1957 which placed a \$560 million limit on liability insurance for nuclear power companies. If the plants are so safe the environmentalists argue, why is there a ceiling on liability? A decision by the Court to reverse the Price-Anderson Act based on these ridiculous arguments would probably mean a vast, and prohibitive, increase in the insurance costs of the nuclear industry.

## AFL-CIO's IUD Conference:

# One Step Forward, Two Steps Backwards

Three weeks ago, a source in the AFL-CIO bureaucracy told a reporter, "Energy is going to be the major issue at the Industrial Union Department's conference ... it will set the tone for our national convention...."

If the IUD conference, held in Atlanta two weeks ago, sets the tone for the upcoming national AFL-CIO convention, then the AFL-CIO membership is in big trouble.

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## LABOR NEWS

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Rather than addressing the energy question with a direct statement on behalf of nuclear energy development, the conference took a "smorgasbord" approach, adopting a resolution that was, in the terms of one IUD spokesman, "six of one, half a dozen of the other ... a little production, a little nuclear, a lot of conservation ... basically we sidestepped controversial issues...."

An analysis of the proposal shows only slight difference with the statement the AFL-CIO Executive Board adopted; these differences — a strong statement on behalf of nuclear power and the endorsement of "\$100 billion commitment to energy research and development" — were reported to have been included in the proposal as concessions to forces in the IUD, especially in the United Steelworkers union and in the AFL-CIO leadership, who would have liked to have seen a much stronger statement for growth and nuclear energy.

Though one source within the IUD leadership circles acknowledged "tremendous discontent among rank and file unionists" over the Carter energy program and the AFL-CIO's indecisive attitude towards it, he reported that top AFL-CIO leaders have decided — for the time being — "not to overturn the applecart and to give the Carter program some cautious support.... we want to get something passed."

It remains unclear whether this week's veto of the Clinch River fast breeder project will jolt these wavering labor leaders in time to make a more definitive statement at the AFL-CIO national convention. Only last week, an IUD spokesman had commented that "there was no need for a (conference) resolution on the breeder because it looks like Carter will turn his head and let it go through...."

### *From Bad to Worse*

If the IUD, which represents more than 4 million workers, was treading water on the energy question, it missed the boat completely on almost every major foreign and domestic policy issue and in some cases took

positions so incompetent that if implemented they threatened to "sink" the U.S.

Into the latter category fall the resolutions on the economy, on foreign trade, and on "full employment" and the Humphrey-Hawkins bill in particular. These, plus the previously mentioned energy smorgasbord and a resolution on Israel are the most significant of the more than 40 resolutions passed at the conference.

The call for protectionist legislation emanates from several disparate sections of the IUD leadership, especially the steelworkers and textile unions. These leaders have seen plants close, their members forced onto unemployment and welfare lines, and feel pressed to "do something." Their call for protectionism ignores the underlying causes of unemployment in their sectors — the depression-caused collapse of world trade which has reduced the global demand for the products they produce. This fact was missing from comments made on the subject by I.W. Abel, the former President of the United Steelworkers union and retiring IUD head.

It is precisely the failure of the IUD and the rest of the AFL-CIO to come to grips with the energy question and to support policies of expansion of the world economy based upon nuclear energy development that has backed them into the "protectionist trap." The incompetent economists who drafted the policy resolutions have stood reality on its head — rather than shut off trade, in the name of fair trade arrangements as they propose, the solution lies in rapidly expanding trade. Rather than cut technology transfers to the underdeveloped sector except under "controlled circumstances" as the IUD's economists propose, it is rapid development of the industrial and agricultural potentials of the Third World through American technology that is the immediate order of business.

It is the same muddled thinking that has led AFL-CIO leaders to support Humphrey-Hawkins and similar "public service, public works employment programs." "We know that Humphrey-Hawkins won't really put our laid off workers back to work at their jobs," said the office on an IUD member union, "We hope that it will 'pick up the economy' and this will stimulate the rehiring of our boys...." This spokesman professed to be "unclear" on how a nuclear energy development program "would put people to work in high-technology jobs."

The several thousand delegates and guests were also treated to one of Sen. Daniel Moynihan's (D-NY) maniacal diatribes on how the U.S. was selling the state of Israel down the river and how it was the responsibility of the assembled unionists to prevent it. Those sentiments were said to have been shared by several members of the AFL-CIO's "Jewish Lobby," including Secretary Treasurer Lane Kirkland. In this light, the

resolution passed by the IUD on Israel reflects an enormous degree of restraint and at least tacit support for the Carter Administration's Middle East initiatives for peace. Sources report elements in the IUD leadership resisted efforts to rewrite the resolution to condemn the Carter Administration for "involving the Russians" in a peace settlement. Although restrained, the inflammatory remarks against the PLO "menace" reflect the "Jewish Lobby's" influence.

Many key industry leaders were reported to be watching the IUD conference "very closely" to try to get a reading on where the labor movement's leadership was headed on major policy issues, especially the energy question. One spokesman for such layers stated, "We're looking for a sign that labor wants to move on nuclear power ... we've heard some rumblings to that effect lately."

The IUD leadership has clearly muffed a major opportunity to extend their hand to the other side of the emerging labor-industry coalition; industry leaders contacted after the conference report that they are still "confused" about which way the AFL-CIO will go.

It remains to be seen whether the IUD and other AFL-CIO trade union leaderships will correct their mistakes by next month's national convention.

## The IUD Resolution on Energy

No issue confronting this country is more important or more critical than our supply of energy. Energy is the lifeblood of our society. It means far more than the fuel which powers automobiles, airplanes, buses, and ships; it means the jobs, products and services working men and women need to live and prosper.

A comprehensive national energy policy is long overdue. Based on the needs of the American people, that policy must emphasize conservation of existing supplies of fossil fuels while also developing other sources of energy so that we can be assured of an energy supply which is adequate to meet the growth needs of our economy....

*Now Therefore Be It Resolved:*

That we call upon Congress and the Administration to act expeditiously to adopt a National Energy Plan which includes the following recommendations:

1. The importation of crude oil and petroleum products must be placed in the hands of a government agency which would determine the amount of oil to be imported, negotiate its price, and provide for its domestic distribution. Only by this means can the price and quantity collusion between the Organization of Petroleum Exporting Countries (OPEC) and the multinational oil companies be ended.
2. The federal government must make its own, independent estimate of our remaining supplies of both oil and natural gas.
3. Congress must adopt policies which encourage the fullest possible development of oil and gas resources on federal lands and on the Outer Continental Shelf, consistent with the need to protect our environment....
4. Congress must maintain strict price controls on domestic oil and gas.

5. We must go all-out to develop our coal reserves and resources....

6. We must make a national commitment to expand our use of nuclear energy. Nuclear power will make it possible for us to meet our electricity generation needs between now and the beginning of the next century....

7. We must adopt a comprehensive national policy to reduce fuel consumption in business, industry and residential structures....

12. We must make a massive \$100 billion commitment to energy research and development....

13. We must adopt legislation which will eliminate the monopolistic hold which a handful of giant corporations have over the domestic production and supply of oil, gas and other forms of energy....

14. We must adopt legislation which requires that a reasonable portion of oil imports be carried on U.S. flag vessels....

### *Resolution on the Economy*

...

*Therefore, Be It Resolved:*

That the Industrial Union Department calls on the Administration, the Congress and the appropriate government agencies to take immediate action on the following:

\* The immediate adoption of a national full employment policy. The Employment Act of 1946 contained more promise than action. We need a Humphrey-Hawkins Act which will provide that the President and Congress spell out specific programs to create jobs for every American willing and able to work. At long last we must recognize that in our modern society a worker is entitled to a job as a matter of right.

\* Steps to bring a halt to the flood of certain manufactured imports, including the repeal of tax laws that provide incentives for the installation of modern plants and equipment abroad rather than at home....

We also urge the negotiation of effective Orderly Marketing Agreements or other systems of import control to deal with actions by certain countries to "export their unemployment" by selling in U.S. markets below costs or that permit production under slave wage conditions and thus gain an unfair competitive advantage....

### *Resolution on International Trade*

Distortions in this country's foreign trade are putting Americans out of work at a dizzying pace. While it is impossible to be precise about the numbers, it is clear that hundreds of thousands of workers are jobless today as a result of America's appalling lack of defense against unfair imports....

That we urge the Administration to ensure that current trade negotiations and agreements protect the vital interests of American workers and industry. U.S. tariffs are already low when compared to those of many other nations, and the U.S. does not rely upon the various non-tariff barriers that other countries use to circumvent free trade.

That this convention calls upon the Executive to order vigorous enforcement of existing statutes that would prohibit much of the current unfair trade and to see to it that the various agencies place a high priority on such enforcement activities.

#### *Resolution on Textile and Apparel Imports*

The need to regulate imports of textiles and apparel has long been recognized on the international scene. Still these imports have been escalating. Imports of apparel have multiplied to an unprecedented degree in the case of both the U.S. and Canada. As a result, employment of garment workers in both the United States and Canada is down and unemployment is up. Many potential jobs failed to materialize. This deprived many new entrants into the labor force of an opportunity to earn a living. An intolerable situation has thus developed. It calls for correction....

#### *Resolution on Raw Materials*

The United States must develop a comprehensive national policy for raw materials in order to secure the stable supply and price of basic metals essential to its industries. Without a reliable adequate supply, the U.S. economy can neither survive nor grow. Almost every industrial job in the U.S. is at stake as well as the nation's general economic well-being....

The New International Economic Order is the banner under which the producing nations are moving toward that goal. The action program of the NIEO includes measures that have serious implications for U.S. industry. These include increased efforts to form more and stronger producer associations, to raise the real price of exported commodities, and to promote the processing of raw materials in the producing countries....

#### *Now Therefore, Be It Resolved:*

We urge the U.S. government to move quickly to plan and develop a comprehensive raw materials policy and program to assure our economy of the steady flow, present and in the future, of the raw

materials necessary to the American industrial process.

Such programs must of necessity include economic stockpiling of certain raw materials; either multilateral or bi-lateral commodity agreements between the U.S. and other countries which are suppliers of raw materials; development of new domestic sources of such materials; exploration and research for and of new raw materials; the beefing up of recycling and other conservation methods; the maintenance of standby facilities to extract and process certain raw materials when and if necessary; and strong antitrust surveillance of those corporations engaged in the supply of such materials....

#### *Resolution on Full Employment*

...For the Industrial Union Department, the creation of jobs is central to any economic recovery plan and to any proposals for dealing with our urban crisis....

#### *Resolution on Israel*

...

We are hopeful that a Geneva Conference, for which President Carter's Administration has worked so steadfastly may make a genuine contribution to peace and well-being in the Middle East. We are in sympathy with Israel's profound reservations about according a role to the Palestine Liberation Organization in a Geneva Conference of sovereign nations. The PLO's record of guerilla warfare against civilians and children, and the lasting (sic) of the PLO leadership to endorse in any way the provisions of United Nations Resolution 242, which must serve as the foundation for any workable structure of relationships in the Middle East, clearly indicate the PLO's refusal to accept the legitimacy and the future security of the state of Israel.

We believe that the Geneva Conference may, under the proper procedures, and with the necessary elements of mutual respect among the nations involved prove a welcome first step in the direction of building peace in a troubled section of the world....

## Fitzsimmons Holds Firm At Senate Hearings

*We reprint below excerpts from the opening testimony of International Brotherhood of Teamsters General President Frank Fitzsimmons before the Senate Permanent Investigations Subcommittee on Nov. 2.*

Since the hearings, the U.S. press has slandered Fitzsimmons, implying that he had admitted "being in the wrong" in his handling of authorization of an insurance contract to a now-bankrupt firm under the ownership of West Coast entrepreneur Joseph Hauser.

This slanderous press coverage, especially in radio

and television accounts of the proceedings, coheres with information obtained from the office of Sen. Charles Percy (R-Ill) prior to the hearings that the Senator, the ranking minority member of the subcommittee, was intent on staging a "big media event"; the outcome of the hearings, the source reported, would be "to create the climate for further investigations into other areas of wrongdoing in the Teamsters.... we want to put people in jail...."

The *Executive Intelligence Review* has since learned that Percy is said to be briefing "anyone who will listen



and especially Republicans" on alleged evidence of corruption in the Teamsters. "He (Percy) is advising us to stay away from them (the Teamsters)" said one Republican Senator who asked to remain anonymous.

Percy's office is known to have solicited information and other assistance from PROD (Professional Drivers) and the "Teamsters for a Democratic Union," two FBI-Ralph Nader controlled informant networks within the UBT, Both PROD and the TDU are reportedly "watching with interest" to see "if Percy can finally get something going against Fitzsimmons."

*Statement of Frank E. Fitzsimmons  
Before the United States Senate  
Permanent Subcommittee on Investigations*

My name is Frank E. Fitzsimmons. I am the General President of the International Brotherhood of Teamsters. My appearance before the subcommittee today is voluntary and in response to a letter from Vice Chairman Nunn inviting my participation. I have been cooperating with the staff of the subcommittee throughout this investigation and have also testified voluntarily before the staff.

I am aware of the subject matter of the subcommittee's investigation. Many facts have been developed in this investigation concerning which I had no previous knowledge. I frankly commend the members of the subcommittee and the subcommittee's staff for developing these facts. You have performed a service which is undeniably in the public interest. Legislation is clearly needed and this subcommittee's investigative work should constitute compelling support for such legislation. I hope that we can make a worthwhile contribution in this investigative and legislative effort....

...I would like to take the opportunity of stating at the outset certain basic facts concerning my own position.

First, I have never received, either directly or indirectly, any benefit or anything of value from either Old Security Life Insurance Company or from any company related to Joseph Hauser or from Mr. Hauser or from anyone associated with him or with any of his companies.

Second, I am not aware that I ever met Mr. Joseph Hauser or that I have ever had a conversation with him.

Third, the actions which I took as a Trustee of the Fund relating to the Award of an insurance contract to Old Security Life Insurance Company on April 30, 1976, were based solely upon information provided to me by consultants to the Fund, and what I believed at the time to be in the best interests of the Fund and of its beneficiaries. (Mr. Fitzsimmons then carefully substantiated his points. He concludes:)

It is disturbing to me that the Trustees of the Fund were among the last to learn of the Hauser-Old Security scheme and of the massive transfer of premium moneys paid by the Fund to Old Security into Hauser's accounts. Certainly, Tolley International and Mr. Teeuws had a fiduciary obligation to bring all of the relevant facts to the attention of the Trustees. I believe that the same obligation existed with respect to the officers of Old Security who were primarily responsible for permitting the fraud and the premium diversions to take place. Also, it is somewhat inconceivable to me that the Insurance Director and Attorney General of the State of Arizona, according to testimony before this subcommittee, became aware of the severe irregularities concerning this matter in mid-May, 1976, yet they did nothing to communicate with any official or Trustee of the Health and Welfare Fund. I also fail to understand how the Continental Illinois Bank would have permitted a person who was not even an authorized signatory to the account to effect, by telephone, a wire transfer of \$1.5 million of the Fund's premium deposit to a bank in Phoenix without notifying the Fund.

Although the Fund is proceeding vigorously in its effort to recover the money which has been diverted, no one can predict how much will be recovered. However, as Mr. Shannon has already stated, no valid claim of any beneficiary of the Fund will be denied as a result of this fraud. Every claim which arose during the three months covered by the Old Security contract has been or will be processed on the merits. There are ample surplus funds to pay all such claims.

I have discussed the subject of corrective legislation with our attorneys and a number of ideas have been presented to me. We would be pleased to present our ideas to the subcommittee at your convenience.

## 50,000 West German Trade Unionists Demonstrate For Nuclear Energy

Factory councillors and other trade unionists from all over West Germany gathered in Dortmund yesterday to demonstrate their unanimous support for development of nuclear technology and for ending the present de facto moratorium on nuclear power plant construction. Attendance at the demonstration has been estimated at 50,000.

The demonstration was the result of a months-long

international effort by the European Labor Party to pressure West Germany's trade union leadership into actively supporting the policies of Chancellor Helmut Schmidt for the development of nuclear energy. Through the mediation of the U.S. Labor Party, hundreds of support telegrams were sent by trade unionists in the U.S. to the electrical workers organizing the demonstration, who in turn have sent a telegram to Teamsters

head Frank Fitzsimmons encouraging the American bipartisan movement for nuclear energy. Yesterday this support was supplemented by two telegrams from Mexican trade unionists — one from the leaders of SUTERM, Mexico's largest electrical workers union, and another from the chairman of the nuclear workers union.

Initial reports indicated that the West German news media gave minimal coverage to the demonstration, including only a minute and a half on the evening news. However, the international wire services reportedly wrote and sent a story to their U.S. and other affiliates.

The groundswell of support for nuclear energy created by the Dortmund demonstration will be an important factor influencing the outcome of the Social Democratic Party's National Congress, which begins today in Hamburg. According to newspaper accounts, even if a number of antinuclear resolutions manage to slip through, the SPD is going to give the Schmidt govern-

ment a free-hand to implement a carte-blanche "Special Program" to maintain essential nuclear production and research activities.

An official "compromise" party policy is, meanwhile, being drafted jointly by Adolf Schmidt, pronuclear head of the Mining and Energy Union, and Herbert Ehrenberg, environmentalist Federal Labor Minister. Such a compromise would parallel that made by the Free Democratic Party at their congress last weekend, and would entail a six-to-eight-month halt to nuclear construction until temporary nuclear waste dumps are established (as opposed to the environmentalists' original demand that a moratorium last until a final reprocessing center is constructed in six years.) Similarly, the leadership of the West German Trade Union Federation (DGB) announced that it favors the issuance of nuclear construction permits "in well-founded cases," but has not elaborated what this includes.

## The UAW On Nuclear Power: Then And Now

The United Auto Workers' current stance against the development of nuclear power stands in sharp contrast to the favorable orientation toward nuclear technology of the late Walter Reuther. For at least 15 years, concurrent with his term as president of the UAW, Reuther was committed to a crash program for the development of nuclear power that would involve both government and industry.

Reuther's declarations in behalf of nuclear energy development represent the positive side of an intense factional struggle between the Warburg and Baruch families' financial interests who were against nuclear power, and President Eisenhower, who favored nuclear development.

Today the UAW leadership has officially condemned the U.S. nuclear program, especially the potential for nuclear exports, as a major element contributing to nuclear proliferation and war.

Here are portions of a speech given by Walter Reuther on Jan. 25, 1956 before the Joint Congressional Committee. Reuther spoke as a member of the panel on the Peaceful Uses of Atomic Energy, but his remarks were not included in the panel's report to the committee.

...Access to low-cost nuclear power may prove the key to the economic development of backward areas and make possible the liberation of millions of people from poverty, hunger, ignorance and disease...

We shall not give leadership to other people if we refuse to exercise it in our own behalf. The fact is that the United States is failing to demonstrate the outstanding leadership in releasing atomic energy as a source of electric power...This is proceeding much too slowly.

For many years after the war no really significant beginning was made to apply the atom for peaceful

purposes. Finally, one year ago, the AEC invited private enterprise to submit proposals for participating in the development of atomic reactors for the generation of electric power. But no private reactors are now under construction and none has completed the initial stages of design...

Apart from this (the AEC demonstration reactor at Shippingport, Pa.) government project, the sobering fact is that today ten and a half years after the end of the war, America's peacetime atomic power program has not advanced beyond the drawing boards...

The need to develop atomic energy as a practical source of power for use in the United States is urgent. There are power hungry areas in our country today. There are other areas where the high cost of energy retards economic progress and is encouraging the flight of industry to other parts of the country.

Total power requirements in the United States will expand at a tremendous rate over the next 25 years. We shall need nuclear power to meet those requirements. I cannot accept the comfortable assurance that our conventional fuel resources will meet all our power needs for another 20-25 years. Nor will I accept the Federal Power Commission consistently conservative forecast of power requirements as reflecting the true growth potential of our economy or the increasing need of the American people.

No power ceiling should be placed on the normal and necessary expansion of our economy.

To meet the challenge and to realize the opportunity of peaceful uses of atomic energy, we must mobilize every segment of our economy. We must make full use of the capabilities of both government and private enterprise. Only by drawing on the contributions of each can we make satisfactory progress toward our objectives — fortifying the strength of our nation, advancing the

welfare of our people, and discharging the responsibilities of the nation...

The technological barriers ahead of us are formidable. Enormous investments are required. The financial risks are great. But all these difficulties can be overcome by a united determined effort...

It would be tragic to destroy this great opportunity for national achievement and world leadership by dissipating our strength in ideological warfare over the respective roles of government and private enterprise. That is a sure fire way of standing still, while the rest of the world moves forward in the practical application of atomic power to human needs...

America's leadership in the world contest must rest upon and be a reflection of the highly developed and advanced nuclear energy industry. I am at a loss to understand how the U.S. can be in a position of technological leadership in building nuclear power plants in the Third World if we have not advanced the level of our technology...

I recommend to the committee that it remove all reactor technology from the restricted data category including such areas as fuel element fabrication and processing techniques leaving specific military applications of such technology to be protected in so far as national security is involved...

Only bold initiative by government can accelerate needed progress and get full scale reactors in operation so that the time lag between theory and practice can be minimized...

The shortage of highly-trained, scientific, technical personnel will continue to be the most serious retarding

and limiting factor both in our domestic progress and in our ability to carry out our role as a world leader...

#### *Current UAW Policy*

*A spokesman for the UAW in Washington D.C. described the union's current policy on nuclear energy in the following way:*

We are officially extremely skeptical that nuclear power should play an important role in the nation's energy supply. We feel that not sufficient attention has been given to the risks involved, especially the potential for harmful leaks and for theft by terrorists of nuclear materials and of the general problem of waste disposal...

Nuclear power has never measured up to people's expectations. It has always provided less projections for its role in the total national power picture. That is the way it should be. It is simply less cost effective on an individual plant-by-plant basis...we think that Project Independence emphasized it much too much...

While we may be a little ambivalent on the nuclear (fission) question (we do allow individual locals to decide on a case by case basis whether they might want to support a nuclear plant here and there), we are totally clear on the fast breeder. We are against it and we are against a plutonium economy...We think that the President is 100 percent right to veto the breeder and support him on it across the board.

We think that there should be a greater emphasis on the development of viable energy technologies like solar power...I guess you can say that we are close to the way Barry Commoner thinks on the energy question...closer to him than say the Building Trades of the AFL-CIO (who support nuclear power.)

## The Plot To Rationalize U.S. Steel And Who's Behind It

Last week the tempo of the calls for the rationalization of the U.S. steel industry quickened noticeably. While Under Secretary Anthony Solomon was dangling the bait of a new and improved "anti-dumping" apparatus before increasingly desperate steel companies and steel workers, he was meeting with Viscount Etienne Davignon — the architect of the European Economic Community's (EEC) plan to reduce steel capacity by 25

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### SPECIAL REPORT

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percent — and plotting to do away with "excess" steel capacity worldwide. Many business leaders in the U.S., including the policymakers of the National Foreign Trade Council, perceive that the steel policy that Solomon and his taskforce are formulating will be close to the Davignon strategy. Moreover, the steel companies which belong to the NFTC "would welcome" the

equivalent of a Davignon plan for the U.S., the NFTC officials said.

The American Iron and Steel Institute, which is headed up by the U.S. Steel chairman Edgar Speer, is in agreement with Davignon-style rationalization. At hearings on steel held by the U.S. International Trade Commission in Los Angeles Nov. 9-10, the AISI speaker went on record as opposing any plan to save the steel industry with low-interest government credits. This would be unwanted "government interference," he claimed. A spokesman for the AISI in Washington confirmed that the U.S. Steel-dominated trade group is looking favorably on the on-going "elimination of peripheral facilities." More marginal firms will go, he said — "it's a fact of life."

It is clear that unless a positive national program to put industry back on its feet is adopted, the steel industry can look forward to a future of crunch, purge, and consolidation. The *Wall Street Journal* Nov. 8 more than hinted that the proposed Jones and Laughlin-Youngstown Sheet and Tube merger is just the begin-

ning. Many of the smaller companies — especially those which are primarily involved in producing steel and have not, like U.S. Steel, diversified into real estate and other non-steel areas — are choked with debt and running into cash-flow problems. Thus the companies' creditors have them over the barrel and can "advise" mergers, closing of facilities, and other measures to "restore financial health." In the case of J and L and Youngstown, the investment bank handling the merger is First Boston. First Boston's economist Jim Howell, it will be remembered, is along with Lazard Freres' Felix Rohatyn the prime architect of Northeast Energy Corporation, the program to turn the northeast into a low-energy, labor-intensive work zone.

The strategy of people like Solomon is to put forward the forced shrinkage of the steel industry as the "rational" alternative to raving protectionist sentiments. The AFL-CIO's George Meany appears to be playing right into Solomon's gameplan. According to *New York Times* labor editor A.H. Raskin, Meany and others in the AFL-CIO hierarchy intend to push for the resurrection of the 1971-74 Burke-Hartke bill at the AFL-CIO's December conference.

That defeated bill called for the imposition of import quotas on a product-by-product basis, Presidential control over all export of American capital and technology, and related protectionist measures.

#### *The Enemies of Steel*

In the context of this offensive on the protectionism, and rationalization fronts, individuals and groups who are working to revive the U.S. steel industry should be alerted to the following roster of the "enemies of steel:"

#### *Edgar Speer*

As chairman of U.S. Steel, the industry giant, Speer has been blocking the formulation of a positive program to reverse the shrinkage of the industry. At a meeting in Pittsburgh earlier this month, spokesmen for Speer and the other members of U.S. Steel's board of directors told U.S. Labor Party representatives that their company opposes the idea of reviving the U.S. steel industry in the context of Third World industrialization, which would create orders for U.S. capital goods and technology. U.S. Steel, moreover, opposes any program which involves the extension of low-interest loans to the steel industry to keep it open and begin the rebuilding process. So much for Speer's frequent encomiums to "capital formation."

This stance is not out of profile with the company's past performance. U.S. Steel's critics — of which there are many — say the corporation is waiting for its smaller competitors to go bankrupt so that it can gobble up their market share and raise prices.

Speer himself is a "production man" who came up through the ranks. However, all those years at U.S. Steel endowed Speer with the outlook of a banker and certainly not someone who identifies with new technology and industrial expansion. When Speer became chairman he said his primary goal was to expand the corporation's natural resource base. As is only too well-known, in recent months Speer has been loudest adherent of protectionism — or as he likes to call it, "the enforcement of the 1974 Trade Act."

#### *Lewis Foy*

Foy is both chairman of the board of directors of Bethlehem and director of the Morgan Guaranty Trust, and there's no question about where his primary allegiance lies. Foy, like Speer, is thoroughly committed to a policy of rationalization for the steel industry — beginning with his own company. Last summer Bethlehem, the nation's second largest company, initiated a sweeping cost-cutting regimen. It has already lopped off 10 percent of its capacity, laying off 12,000 workers all tolled. When Foy announced Bethlehem's third quarter returns last month — the largest loss ever reported in U.S. corporate history — Foy claimed the company had a "leaner but stronger" future ahead of it. Last spring a consortium of banks led by Morgan Guaranty extended Bethlehem a large credit line, so it's no secret where the orders to rationalize are coming from.

#### *Barry Bosworth*

As the new head of the Council on Wage and Price Stability (CWPS), former Brookings Institution economist Bosworth is responsible for the Council's report on the steel industry, which came out last month. Bosworth, a protégé of Charles Schultze, the present head of the Council of Economic Advisors and old Brookings colleague, is known for his favorable views on incomes policies (a euphemism for wage and price controls). The new CWPS report on steel bears all of Bosworth's fingerprints. It argues, on the basis of quack economics, that modernization won't do a thing to make the U.S. steel industry more competitive with Japan's modern, fully-integrated plants. The message to steel makers is that if they want to improve their profits, they have to go after wages.

#### *Sen. Howard Metzenbaum (D-Ohio)*

Metzenbaum is a more covert "enemy of steel" than the rest. Last month one of his top aides revealed that Metzenbaum's Ohio office has been studying every possible method to keep ailing steel plants open "to lessen the human hardship" involved when they close. The office says that its most promising method involves raising capital by dumping company stock on employee pension funds or encouraging workers to accept a wage check off. The aide noted that this experiment "has been tried out in France — referring to the LIP model, where the striking workers at a French watch factory were suckered into buying the bankrupt company and running it themselves.

*Sen. Jacob Javits (R-NY)* sponsor of Employee Stock Ownership Plan legislation, also favors this approach for the steel industry.

#### *Nathaniel Samuels*

Mr. Samuels, director of the advisory board of Kuhn Loeb, the New York investment bank, does not confine his attention to steel. Early this fall he laid out a program for the rationalization of all of U.S. industry in the pages of the *New York Times*. Samuels claimed that the only way to prevent an outbreak of protectionist sentiments is

by establishing a system of orderly marketing agreement backed up by a "domestic industrial adjustment process." Samuels went on to suggest that his arrangement could be run under the auspices of the International General Agreement on Trade and Tariffs (GATT) in return for marketing agreements governments would be under compulsion to intervene in industry in their respective countries, phasing out "non-viable" companies, relocating workers to other industries, etc. In an interview with *EIR*, Samuels emphasized that the major obstacle is that workers like to stay where they are.

*Viscount Etienne Davignon*

The Viscount, who was in the U.S. last week meeting with Under Secretary of the Treasury Anthony Solomon

and others on steel and related matters, is the author of the European steel rationalization program which bears his name. The aim of the Davignon plan is to "modernize" the EEC steel industry, principally through elimination 25 percent of existing capacity. Most European steelmakers have not been happy about the plan. Davignon's power lies in the fact that the EEC commission holds the purse strings on loans to the steel industry; loans are made only to effect rationalization. The steelmakers can't afford to go to the capital markets themselves to raise funds.

Sources inside the U.S. Administration say that Solomon's taskforce is considering such a low-interest government loan program for the U.S. industry — a program where loans would be made to enable companies to shut down capacity, consolidate facilities, and little else.

# Special Report:

## Exporting Puerto Rico's Terror

The United States does not maintain a very hospitable climate for terrorism, and the City of London's intelligence networks know it. The healthy gut reaction of the U.S. population to terrorists, the professional actions of uncorrupted police departments and the widely circulated U.S. Labor Party exposés of the monetarist control of international terrorist networks have created a highly aversive environment for bombers and assassins, regardless of the supposed political rationale.

The lack of any indigenous sympathy for terrorism in the country has presented a serious problem to the British and their U.S. accomplices. A terror capability is integral to their broader assault on the U.S. as a productive industrial nation; terror eliminates political opponents, and it spreads fear and confusion through the population under attack.

To fill the bill, the monetarists have turned to Puerto Rico — an island that has served as both looting and testing ground for the New York banks for decades. Critical to control and manipulation of the island population over the years has been the synthetic creation of a Puerto Rican independence movement. Through the FBI, the Alcohol, Tobacco and Firearms Division of the Treasury Department, key island media, local political machines, and terrorist support and control networks in the U.S., the violence potential of Puerto Rico is now being tapped for export to the mainland.

The model for the island operation is Northern Ireland, as leading participants in the plan have frequently made clear. Instead of Catholic-Protestant warfare, the population is being corralled and terrorized into armed camps of the "independentistas" and the pro-statehood forces. A murderous vendetta has existed for years, but in the last two months the death toll has climbed and the climate has been prepared for a much more extensive and bloody reign of terror.

On the independence, or "left," side of the gun barrels are the agents encysted within the leadership of the Puerto Rican Socialist Party (PSP). Through their increasing control over the party leadership in recent months, Anglo-American intelligence agents in the PSP have fueled the spreading violence and succeeded in placing a large section of the PSP's trade union base in the deadly crossfire.

The assassins operating under a "right" or pro-statehood cover have been collected from a large pool of

fascist gunmen and well-trained spooks. These include terrorist networks culled from the Cuban exile community and death squads maintained within the island's police departments. Political protection is provided by high officials within the island government apparatus.

A simultaneous operation channels the terror war from the island spawning ground into the U.S., and the initial phases of this export enterprise have already been accomplished. The so-called Fuerzas Armadas para la Liberacion Nacional (FALN) has claimed credit over the last two years for over 50 bombings that have wounded scores and taken 5 lives, primarily in New York. With the victory in this week's New York mayoralty race of Edward Koch — the candidate of the Lazard Freres banking and intelligence networks — the intensity of the FALN's declared "war of nerves" can be expected to dramatically increase.

The problem of credibility for the terrorists and their controllers still persists, however. To solve that difficulty, leading directors and apologists of the Washington, D.C. Institute for Policy Studies and allied networks have been mobilized to provide the necessary cover. At the apex of the pro-terrorist support structure is fascist linguist Noam Chomsky. With a collection of fellow agents and assorted dupes, Chomsky has formed the U.S. Committee for the Freedom of the Puerto Rican Nationalists. The nationalists in question are four Puerto Rican gangsters who have been jailed since the early fifties for armed attacks on President Truman and the U.S. Congress. The job of the committee, under Chomsky's guiding hand, is to provide legitimacy to the cause of Puerto Rican independence and to terrorism in the service of that cause. Already the Chomsky Committee's "human rights" campaign for the nationalists' release has blended into demands that government authorities put a halt to grand jury investigations of the FALN.

Complementing Chomsky inside Puerto Rico is the leader of the Puerto Rican Independence Party (PIP), Ruben Berrios. While going to great lengths to paint himself as the "clean" alternative to the PSP, Berrios serves a function analogous to the role of Willy Brandt in West Germany. Just as Brandt publicly rationalizes the murders and kidnappings of the Baader-Meinhof gang, Berrios — like Brandt a member of the Second International — justifies pro-independence terrorism on both the island and the mainland.

*The following is a selection from the article "Independence for Puerto Rico: The Only Solution" by Ruben Berrios Martinez in the April 1977 issue of Foreign Affairs. Berrios is the President and ex-Senator of the Puerto Rican Independence Party (PIP).*

Northern Ireland, Scotland, Wales and Quebec, although not in the same historical and political circumstances as Puerto Rico, underline the impossibility of repressing a nationality. The question is not if or when the theoretical State of Puerto Rico would be placed on such a roster. The question is how destructive the fight to restore us to freedom would be.

By now it should be clear to the U.S. government that nationalist processes rarely follow a linear development...Quebec...is only the most recent example...In Puerto Rico an accelerated process is going on which can

lead either to a sudden explosion or to an orderly channeling of nationalism.

Statehood is not a real alternative for the United States or for Puerto Rico...Among those opposing statehood, there are thousands of Puerto Ricans determined to impede assimilation by any and all means. A great number of these are to be found among the two million Puerto Ricans now living in the United States. Any serious attempt at incorporating Puerto Rico as a state would unquestionably precipitate a wave of violence, not only in Puerto Rico but also in the United States. We all know that in the past, without the threat of impeding statehood, grave acts of violence have taken place. Violence will undoubtedly breed repression and might involve minorities within the United States in a destructive conflict to assert by force the right to self-preservation, equality and dignity.

## From the Mainland

Creating a Northern Ireland scenario in Puerto Rico and utilizing the island as a launching pad for terrorist activity in the U.S. requires a sophisticated apparatus capable of sustaining and protecting the active networks. Central to this command and control is the Institute for Policy Studies, an institution originally set up in 1963 to run terrorism and other political operations. At the top of the command stands the financial community of Wall Street and the City of London, whose foundations and legal services are employed to support and maintain the terror.

Funding of the Institute for Policy Studies comes from New York investment bank-linked foundations such as the Ford Foundation, the Samuel Rubin Foundation, the Fund for the City of New York, the New York Foundation, and the New York Community Trust (a consortium of the countries' 10 largest banks, which also directly fund the legal defense of the Puerto Rican terrorists), the Center for Constitutional Rights and the National Lawyers Guild. Heading these legal networks are William Kunstler, former U.S. Attorney General Ramsey Clark, Peter Weiss, the founder and funder of IPS, and the National Lawyers Guild's Arthur Kinoy.

The crucial activity of the handful of political controllers depends on various synthetic belief structures imposed on the actual terrorist units. The role of MIT professor of linguistics Noam Chomsky is key in this. Chomsky's involvement points to the next phase. Through an umbrella organization known as the United Committee for the Defense of the Puerto Rican Nationalists, Chomsky is able to organize "political support for terrorists, and use the whole gaggle of left-wing counter-gangs to create an environment whereby terrorism is accepted as an "inevitable," even "lawful" sociological phenomena. On Oct. 30, Chomsky and his networks held a demonstration in Washington, D.C. drawing roughly around 1,000 supporters of terror.

A few "political activists" are selected to become hard-core terrorists themselves. This involves an entire selection process starting at various "community control" schools and hospitals. In the case of the FALN, the Lincoln Detoxification Center — a methadone clinic in the South Bronx —, the Rafael Cancel Miranda alternative school, and the El Rincon methadone center in Chicago function as a pool through which addicts, drop-outs, and youth gangs are recruited to terrorism.

These centers, which are funded through the National Council of Churches, or the Hispanic Commission of the Episcopal Church of New York (which receives its money from the cited foundations), provide intensive "political education" programming around an independence-for-Puerto Rico belief structure to create the terrorists.

It was during the highly publicized Grand Jury investigation into the FALN that the Lincoln Detox connection was made explicit. Two former Young Lord leaders in New York City, David Perez and Vincent Alba, were arrested by New York police in August. Both Alba, a counselor at Lincoln Detox, and Perez were found with rifles and FALN literature in an apartment in the South Bronx. Their legal defense was taken up by the Center of Constitutional Rights and the National Lawyers Guild's special project "to stop grand jury abuse." The last Lincoln Detox counselor tried for terrorist activity was Carlos Feliciano, formerly head of the now defunct Puerto Rican Nationalist Party; his attorney was terrorist lawyer William Kunstler.

Intersecting the activities at Lincoln Detox is the organizing of the Puerto Rican Socialist Party in the U.S. The PSP, which is under the direct control of the Institute for Policy Studies, is central in running both the Puerto Rican and U.S. end of terrorism. Key individuals who had been in the PSP have been recycled into the various Puerto Rican organization directly involved in terror.

One key example is the case of Narciso Rabell. Rabell, formerly an organizer of the Movimiento Independista Revolucionario Armado (MIRA), a defunct terrorist organization and a former member of the PSP, is now the leader of the so-called Revolutionary Socialist Party of Puerto Rico. He came to the U.S. in Oct. 1974 to recruit for the FALN operations in the U.S. One of Rabell's closest compatriots is the individual arrested by New York police, David Perez. Perez was known to be attending special recruiting meetings for the FALN in the Greenwich Village area of New York City. Perez and Alba, one week after their release from prison, participated in a takeover of the Statue of Liberty as a political ploy designed to draw attention to the terrorists remaining in jail.

Direct IPS control over the PSP involves the combined activity of IPS staffer Roberta Salper, who used her position as editor of *Claridad*, the PSP newspaper, to establish the terror apparatus within the PSP, and Florencio Merced and Alberto Torres. This aspect of the terror operation is crucial from two standpoints. First, the PSP is officially recognized by Cuba, and serves as a key penetration point for IPS into Cuba where so-called "leftists" gain credibility as bona fide communists, and are then redeployed to carry out acts of terror with "cuban backing." Second, the whole plethora of Cuban exile networks operating on the island and in the U.S. can be stirred up to launch operations against the PSP and Cuba — the whole Northern Ireland "left"- "right" scenario.

**EXCLUSIVE**

### Chomsky: We're Just For Human Rights

*The following are excerpts from an interview with Massachusetts Institute of Technology Linguistics Professor Noam Chomsky concerning the U.S. Committee for the Freedom of the Puerto Rican Nationalists, of which Chomsky is a leading member.*

**Q:** Historically, the nationalists have been known in Puerto Rico and the U.S. for their violence. Will that hurt the work of your committee?

**A:** Yes, I think it will. I've already gotten letters from people who have been quite active in civil liberties issues who have received copies (of the Committee letter) because we had expected that they would be interested in supporting this. One letter from a quite well-known leftist said that he thought this was a terrible thing to get involved in, because it amounted to support for terrorism, and in these days when terrorism is such a big problem, we shouldn't be supporting terrorism.

**Q:** Is this committee supporting the independence of Puerto Rico?

**A:** Well, that was a complicated problem. Actually, the members of the committee do support it individually, but

I think there was a decision not to bring the independence issue into this campaign but rather to separate it and just make this particular campaign relate just to sort of a human rights-type thing.

**Q:** Among the independence organization in Puerto Rico, do you have any personal leanings?

**A:** The only group that could get any support in the U.S. would be one that does not talk about armed struggle. I think that talk about armed struggle at this point would lose virtually all support in the United States.

**Q:** When there is talk about the violence of the nationalists, there is very little talk about the type of institutional violence...

**A:** Yeah, sure. Well that's always the case. When people talk about violence, they always mean something by the weak or the oppressed. They don't mean anything done by the strong or the powerful. That's standard.

**A:** Since this committee is going to talk about human rights, are they going to play up the institutional violence?

**A:** I think they should. I think they certainly should. I hope they will.

**EXCLUSIVE**

### Pacifist: Terrorists Shouldn't Be In Jail

*David McReynolds, head of the "pacifist" War Resisters League, is one of the organizers of the committee to Free the Nationalists. The following are excerpts from a recent interview on the Committee's activities.*

**Q:** Do you look at the case of the nationalists as a case of human rights?

**A:** Yes, in our view it is a very clear case of them being political prisoners.

**Q:** The nationalists historically have been associated with violence, but you do not think that is the issue?

**A:** These people have served longer than if they had gone out and shot someone for the Mafia. They have served more than 20 years in prison. They should therefore be released.

**Q:** On the one hand you say that you are pacifists, but you are fighting to liberate people who not only committed crimes but who are now inspiring more violence. Isn't that a contradiction?

**A:** No — I think you may not understand what a pacifist is. The four people who are in jail are political prisoners. They are political prisoners because they will not sign the conditions of parole. We have had long experience with conditional parole. We understand why they will not sign those statements. They have served their time. They should be released. Whether they are violent or non-violent makes no difference.



## 'Political Prisoner': Next Time We Will Kill 25 Apiece

Andres Figueroa Cordero, one of the nationalists convicted of an armed assault on the U.S. House of Representatives in 1954, was released from federal prison during the first week of October. President Carter granted him a "humanitarian amnesty" when it was learned that Cordero was suffering from terminal cancer. Upon his arrival on the island, Cordero spoke from his wheelchair to a crowd of several thousand "independentistas," urging them to press forward with armed struggle to "liberate" Puerto Rico and win the release of the four nationalists still in jail. The following

is excerpted from a lengthy interview published in the October 14 issue of the PSP weekly *Claridad*.

*Cordero:* We were not well organized, ...otherwise we would have carried three grenades each, and buried at least 25 Congressmen apiece. A good guerrilla should always be prepared ahead of time.

*Claridad:* But weren't you satisfied with what you were able to do?

*Cordero:* Christ, no! As a matter of course, each guerrilla should kill at least 25, because we are a minority, and we made them tremble with fear. What would have happened? Well, they would have buried four (people), and we would have mopped up the Capitol. Of this, there is no doubt!

# The Island Reign of Terror

A critical turning point in the political climate of Puerto Rico came with the November 1976 elections. The Puerto Rican Socialist Party (PSP) was awarded a miserably low vote — a vote probably drastically reduced by fraud. In the same election, Romero Barcelo, candidate of the New Progressive Party, was elected governor of the island.

The PSP electoral campaign had been conducted on the basis of mass educational work and headed up by those PSP leaders closest to the island trade unions. When the rout at the polls went largely uncontested by the party leadership, the electoral organizing strategy was seriously discredited, and demoralization set in within the PSP rank and file. This provided a tremendous opportunity to the terrorist agents who have constituted a significant minority faction within the organization for some time.

Since the beginning of this year, the propaganda of the PSP has shifted strongly toward justification of terrorism and armed struggle in the pursuit of island independence. General Secretary Juan Mari Bras has sought to legitimize the violent acts of the FALN. Galliza has recently called for the armed struggle to begin. And the party newspaper, *Claridad*, has given prominent coverage to the nationalists' past attacks and printed in full the communiqué of the so-called "Labor Commandos" who claimed responsibility for the assassination of antiunion lawyer Alan Randall in September.

The key personnel pushing the party toward terrorism are those grouped around Ramon Arbona and Florencio Merced. They have succeeded not only in reorienting the party perspectives but in setting up the PSP-affiliated trade unions for destruction.

The murder of Randall was the signal for a fresh offensive against the labor unions, particularly the island

Teamsters since one of Randall's bitterest fights had been with the Teamsters union. One Teamster leader has already been killed — in apparent retaliation for the Randall killing — others have disappeared, and the union as a whole has been branded terrorist. The object is clearly to drive the island's militant labor movement completely into the arms of the terrorists, who have, predictably, leaped immediately to the unionists' defense.

The election of Barcelo established the complement to the terrorists in the PSP. Barcelo is committed to imposing on the Puerto Rican population the drastic austerity measures demanded by the island's New York creditors. Even before Barcelo began his campaign for food import cutbacks and other budget slashing steps, Puerto Rico's unemployment rate was officially higher than 20 percent, and half the population depended on food stamps. The spreading emiseration is a fertile ground for recruiting the desperate bodies needed to spark a self-feeding terror war across the island.

Barcelo's complicity extends beyond his loyal steps to service Puerto Rico's \$11 billion plus debt. He has been known for some time in Puerto Rico as an intimate of the "right-wing" terror apparatus in the Cuban exile community and extending into the island's official law enforcement agencies.

The initial training ground for these networks was the defense of military training (ROTC) at the University of Puerto Rico against "leftist" students, and the U.S. involvement in the war of Vietnam. Four main groups were used: the Association of Pro-Statehood Students (AUPE), Young Americans for Freedom (YAF), the University Anti-Communist Front (FAU), and the pro-statehood youth, Progressive Action (AP). Leaders of these groups are presently occupying high positions in the Puerto Rican Senate and House of Representatives in

behalf of Romero's ruling pro-statehood party, the PNP, including Sen. Oreste Ramos, Jr., and Edison Misla Aldarondo, and Rep. Jose Granados.

According to a confidential memorandum of the island's police dated July 6, 1972, leading individuals from the PNP, AP, and YAF were deployed during the first half of the 1970s to carry out terrorist actions and armed assaults against the property and key personnel of "leftist" organizations in the island. The police memo identified the following as active "terrorists": Jose Diaz Olmo (prominent member of the PNP and AP), Manuel J. Camacho, Papo Rivera (son of a prominent leader of the PNP and veteran of the Vietnam war), and Elias Torres Martinez (former agent of the Drugs and Narcotics Division in Puerto Rico.) These terrorists received their military training from circles within the police and the National Guard, and special agents of the FBI. According to reliable sources, these terrorists often met at the house of Ruben Acosta, a colonel of the National Guard — reportedly one of the key supplier of arms for terrorists training and actions. An example of how these operations are carried out is illustrated in Caguas, Puerto Rico. Here, the terrorist youth of the ruling PNP receive communication equipment and automatic weapons from the municipal police of Caguas, who get

the arms from the Civil Defense through an official transfer between the Air National Guard and the island Police.

The Cuban exile terrorist networks (controlled by the Buckley family) received their military training at "military academies" on the island, and almost all their members belong to Cuban exile terrorist organizations such as ABDALA, and the National Front for the Liberation of Cuba.

During the second half of the 1970s, particularly after Gov. Romero took power in 1977, the "right-wing" groups have been deployed as hit squads to assassinate "leftist" trade unionists and politicians. Even the semi-official daily of the PNP, *El Nuevo Dia*, acknowledged recently the formation of a death squad unit within the police. These death squad hit teams had taken credit publicly for the assassination of one top leader of the PSP and the Teamsters, and recently threatened to execute top leaders of the Puerto Rican labor movement, the PSP, and the FALN in retaliation for any further action of "leftist" terrorists. According to top labor leaders in the island, the police hit squad which allegedly killed a Teamster leader about two weeks ago is composed of four members of Gov. Romero's secret police, the Bureau of Criminal Investigations.

## A Chronology of the Terror Wave

- Sept. 22 — The bullet-ridden body of Allan Randall, a prominent antilabor San Juan lawyer who gained fame for his specific targetting of the island branch of the International Brotherhood of Teamsters, is located by police in the vicinity of San Juan. A new terrorist grouping calling itself the Puerto Rican "Labor Commandos" issues the first of a series of communiqués taking credit for the assassination.
- Sept. 23 — Juan Antonio Corretjer, head of Liga Socialista Puerto Rico, speaking before a thousand-strong independence rally in Lares, calls for the defense of the FALN and five members of the Puerto Rican Nationalist Party imprisoned in the U.S. since 1954 for their armed attack on the U.S. Congress that same year. "We need to defend them on both Puerto Rican and imperialist soil. It's indispensable to create an apparatus especially for that purpose."
- Sept. 29 — Luis Enrique Pagan, president of the Puerto Rican branch of the International Brotherhood of Teamsters, denounces a wave of police and FBI repression and harrassment of prominent island labor leaders in the wake of the Randall assassination. Pagan further charged that the leading Puerto Rican daily, *El Mundo*, had falsely linked several labor leaders to the Randall assassination with the intention of fomenting an atmosphere of violence and repression.
- Sept. 30 — Puerto Rican Socialist Party leader Juan Mari Bras condones the Randall assassination because Randall was a "CIA agent." Writing for the PSP weekly *Claridad*, Mari Bras also hails the 1971 assassins of two policemen as "heroes" and "revolutionary fighters."
- Oct. 3 — Island Governor Romero Barcelo, responding to the Randall killing, tells the international and local news media: "They have declared war against us. We are going to war (against the left)."
- Oct. 4 — Island daily *El Nuevo Dia* discloses the formation of a right-wing death-squad within the Puerto Rican Police Department. The PSP weekly *Claridad* further reveals information from within the police detailing right-wing terrorist "gangs" will be activated "in the coming days" for acts of violence against pro-independence forces.
- Oct. 7 — Convicted "nationalist" terrorist Cordero is released from a U.S. prison.
- Oct. 12 — Ruben Berrios, president of the Puerto Rican Independence Party, tells a group of UPI correspondents in San Juan that any attempt to turn Puerto Rico into a state will "unleash a wave of violence not only in Puerto Rico but in the U.S."
- Oct. 15 — Puerto Rican Bar Association discloses the findings of three-month-old investigation into the disappearance of long-time "nationalist" hero Pinto

Gandia. According to the final findings, the body of Gandia is believed to be buried in the San Juan Cemetery, presumably victim of a right-wing terrorist execution.

Oct. 22 — Puerto Rico's "Labor Commandos" issue a communiqué saying that the manhunt for their apprehension is useless: "The action was carried out in a professional and efficient form, without leaving any trace."

Oct. 23 — Teamster local leader Juan Rafael Caraballo is reported missing by relatives. Caraballo, according to the island press, had been briefly detained one day prior to his disappearance by the island's secret police. His detention, according to the same sources, was related to the killing of Allan Randall.

Oct. 24 — Teamster national leader Pagan warns that unless Caraballo reappears, dead or alive, there will be a general strike.

Oct. 26 — Doctors identify body of Juan Caraballo, found in the vicinity of San Juan Oct. 26 with several bullets in the head. According to police sources, the execution of Caraballo was similar to that of Randall. Labor leaders blame police for Caraballo's murder. They demand an explanation by police.

Hernan Padilla, mayor of San Juan, says crime and violence have instilled fear in the Puerto Rican population, who are living as if they were "in a state of war... People in this country have had to bar their houses, because there is no security anywhere, not even inside our own homes."

Oct. 27 — Teamster national leader Pagan calls on the Puerto Rican labor movement to "cover the earth with the blood of the gorillas" (fascists —ed.)

Island police sources disclose that they have identified the Randall assassin, who they say is closely linked to the island's labor movement.

The Labor Committee Against Repression, a newly formed coalition of labor and "left" leaders, accuses four members of Governor Barcelo's secret police, the Bureau of Criminal Investigations, of having murdered Caraballo. Named are Alejo Maldonado, chief of the NIC in the residential town of Caguas; Angel Torres, chief of NIC Division of Homicide in

the San Juan Metropolitan Area, and Julio Andrade, also of the NIC.

Oct. 28 — Deputy Police Superintendent Desiderio Cartagena discloses that the "Labor Commandos" have threatened to "execute" the four alleged assassins of Caraballo.

Oct. 29 — PSP-affiliated labor leader Pedro Grant denounces a "conspiracy" to kill him and three other labor leaders. Grant revealed that on the morning of Oct. 28, he had received two anonymous calls warning him that "you will be next," AP reports.

Puerto Rican police forces are placed in a "state of alert" following threats of "police executions" by the Labor Commandos.

Oct. 30 — PSP Deputy Secretary General Carlos Galliza calls for "armed struggle" to liberate Puerto Rico in a keynote speech at a rally to commemorate the 1950 Jayuga "nationalist" uprising.

Oct. 31 — A letter is mailed to Vicente Alba and New York Police Commissioner Michael Codd by the United Puerto Rican Front (Pro-Statehood). The letter warns Alba that beginning Dec. 1 of this year, the Front will begin retaliatory assassinations and bombings against members of the FALN in New York and of the PSP in Puerto Rico. The Cuban Ambassador to the United Nations, Ricardo Alarcon, is also mentioned as being "on the top of the list."

Nov. 1 — Three Teamster leaders are subpoenaed to appear before a Puerto Rican Grand Jury in connection with the Randall and Caraballo investigation. According to the island press, the leaders, who have refused to comply, will be held in contempt of court if they do not appear.

Nov. 3 — The PSP weekly *Claridad* publishes in full a communiqué signed by the Labor Commandos, announcing further violent actions and executions, and the continuation of their armed struggle. The commandos also implicitly warn that anybody who denounces terrorism within the labor movement or the left on the island will be subject to assassination. It concludes that their struggle will not only include physical violence but psychological violence — "the war of nerves" — against the enemy.

— Paul Goldstein, Ivan Gutierrez

— Daniel Méndez Taylor, Fernando Oliver

# W. German Party Endorses Fission, Fusion

The conservative Christian Democratic Union (CDU) became the first party in West Germany to unequivocally support the development of nuclear fission and fusion energy on Nov. 7 when its executive committee unanimously passed the "Riesenhuber-Narjes" energy program. The program, named after the two CDU energy experts who drafted it, for discussion at the CDU's recent Hannover Energy Congress, calls for the rapid development of fission and fusion power, rapid exploitation of West Germany's massive bituminous coal reserves, and the training of the skilled workers needed to produce this energy.

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## WEST GERMANY

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However, West Germany's other major party, the working class-based Social Democratic Party (SPD), is lagging far behind the CDU in official support for nuclear energy, despite the commitment of SPD Chancellor Helmut Schmidt, and despite the 50,000 person rally for nuclear energy in Dortmund, Nov. 10, organized by SPD-linked trade unions. So far, the SPD's strongest official support for nuclear power is a rumored compromise on energy at the Nov. 11-13 SPD national party congress in Hamburg, which is to be worded so that both anti- and pro-nuclear factions in the party feel themselves welcome.

The compromise, according to Thursday's daily *Frankfurter Rundschau*, would cause a delay of about four to six months in even resuming construction on the nuclear plants that have been halted due to various environmentalist court suits. As CDU energy expert Dr. Karl-Heinz Narjes warned after the CDU Executive committee meeting, such a compromise are not pro nuclear at all.

According to SPD chairman Willy Brandt, as reported in Thursday's financial daily, *Handelsblatt*, the SPD would also approve four to five more reactors for the Federal Republic only if there is progress in discussions to determine a nuclear waste dump and on the question of reactor security. This is a far cry from a principled stand on nuclear energy such as the CDU's, and reflects the unpleasant fact that Brandt, the leading mentor of the SPD ecologist faction in the party's left wing, is still able to disregard the pro-energy alliance between the working class, the SPD's standard bearer Chancellor Schmidt, and the conservative industrialists in the CDU.

Brandt and his left wing SPD ecologists could be taking their cue from the recent energy compromise worked out

at the national congress of the tiny Free Democratic Party (FDP), the smaller member of Chancellor Schmidt's coalition government. The party congress settled on an energy compromise that would delay the resumption of nuclear plant construction by about four to six months, similar to the proposed SPD compromise.

## CDU Calls Upon Other Parties To Support Fission-Fusion

Christian Democratic Union (CDU) chairman Helmut Kohl spoke after the CDU executive committee's meeting Nov. 7 that unanimously approved the program for nuclear fission and fusion.

"Up until now," said Kohl: "the CDU is the only party in the Federal Republic of Germany that has a thoroughly pro-growth and pro-energy program. I would like the other parties to make some effort in the same direction."

Dr. Karl-Heinz Narjes, the report author and parliamentarian, said in an interview in the Nov. 8 *Kieler Nachrichten* that "The Social Democratic and Free Democratic politicians in Bonn will work on a kind of compromise with their own leftist oppositions — which, in the end, will mean only a few more power plants additionally. The problem is that the misinformed public will perhaps think that these compromises are pro-energy... but basically they are not, they are against any energy policy."

Narjes added that unless the CDU program was adopted, unemployment and the loss of skilled labor would reach the millions by 1980. "We have already lost \$14 billion worth of orders for industry" because of ecologist opposition to nuclear energy, he declared.

## Strengthened Schmidt Will Resist SPD Ecologists

An article in this week's *Stern* magazine, written by Gerhard Gruendler, a former editor of the SPD's weekly *Vorwärts*, outlines the expected compromise on nuclear energy at the Nov. 11-13 SPD National Party Congress.

"The majority of the left in the SPD now think that Schmidt is more human... Willy Brandt said that after Mogadishu he feels closer to Schmidt. Experts are prophesying an undramatic outcome in Hamburg, and, even if a majority want to halt construction temporarily on nuclear power plants, they will give the government a free hand for a special program to maintain production and research. The line will still be to build new reactors only if other energy sources cannot meet demand, thus

leaving both sides open, for and against nuclear energy. The Chancellor obviously has not said he will accept this... 'You resolve what you want to, I do what I have to...'

Schmidt told an SPD party presidium meeting Nov. 8:

"The Constitution says that the government is not subject to the parties... Although the Chancellor has to consider his own party membership... there can be differing positions on several issues, and one of these is the energy issue where the government will not bend down to a probable opposing SPD party decision."

The West German Trade Union Federation (DGB),

after a meeting with Brandt, Chancellor Schmidt, SPD parliamentarian faction chairman Herbert Wehner, and leaders of various trade unions in the DGB on Nov. 8 decided to modify its previous emphasis on the dangers of nuclear energy. According to the financial daily *Handelsblatt* on Nov. 10:

"The DGB will now say that construction permits for nuclear power may be issued in firmly established cases... The DGB is against a long-term moratorium on nuclear power because it is not in the interests of the workers."

## Counterterror Policy Guidelines Recommended To W. German Gov't

*A set of policy recommendations on how to end the intimidation of governments and industry by terrorists was presented Nov. 7 by the Executive Committee of the European Labor Party. The statement, which will circulate among West German government agencies and other private circles, is aimed at elaborating on effective approaches to counterterror and providing crucial evidence of the British-centered chain of command for advanced sector and so-called "Palestinian" urban terrorists.*

*This statement, reprinted below, comes at a decisive point in the development of an institutionalized Bonn-Paris command against terror and drugs. French and West German officials met in Munich Nov. 3 and 4 to discuss expanded exchange of intelligence on terrorist activities and related areas of collaboration. In West Germany, a number of plans to restructure police and intelligence agencies are under discussion, most of them aimed at providing more flexibility in apprehending individual terrorists. In an interview Nov. 9 with French television, Chancellor Helmut Schmidt expressed confidence that it is "only a matter of time" before all the major West German terrorists and their collaborators are apprehended. Since then, two leading suspects have been arrested by Dutch police in Amsterdam, and a number of others in Kaiserslautern, West Germany.*

*Here are excerpts from the ELP executive statement:*

Although the Federal Criminal Office (BKA) has an essential included role to perform in the fight against international terrorism, weaknesses of the past five years will only tend to be continued until antiterrorism is treated primarily as a counter-intelligence problem.

It appears to be the case that so far the Bundesamt für Verfassungsschutz, (Federal Office for the Protection of the Constitution — West German "FBI") the constitutional first choice of counter-intelligence agency, has not yet developed the capabilities in-depth for performing the principal role in antiterrorist counter-intelligence. To the extent this appearance is correct, the solution to such a problem is to develop programs for quickly enlarging the BfV's capabilities in the required dimensions.

The principal operating agencies behind international terrorism are elements of British Intelligence working in close collaboration with unofficial and other official networks inclusive of the neo-Fabian networks based in the U.S. This British Intelligence involvement is both direct and through "cut-out" conduits, involving complicit elements of other governments including those duped Arab governments. There is a significant contamination of agencies and networks of the Warsaw Pact nations and Cuba, but that involvement is primarily directly associated with networks operating under varying degrees of control and influence of British centered and U.S. neo-Fabian centered international networks...

The common mistake in judgment encountered in the antiterror evaluations of police agencies is that those agencies analyze the terrorist networks from the bottom up rather than from the top down. They start with the criminal act, usually after the fact of the criminal act and work their way upwards to the inductively provable immediate criminal association of the individual perpetrators...

The key to understanding terrorism is the fact that the political infrastructure of the terrorist deployments is funded, aided and directed principally by the same combination of agencies which also fund and direct the international environmentalist deployment...

The starting point for political intelligence work is directly opposite to the bottom-up approach characteristic of ordinary criminal-police work... Competent political intelligence works from the top down... It begins by asking who benefits? Which of our policies and vital interests is under attack and who will benefit from the success of such attacks? It then sets out to determine which of our adversaries is actually engaged in directing the attack...

The job of counter-intelligence is to uncover the specific links through which the forces behind terrorism and environmentalism are actually connected to creating the operating political infrastructure for terrorism and environmentalism...

The remedial actions to be taken fall under two operational headings: criminal-police work for the law

enforcement side, and counter-intelligence covert operations against the enemy's own covert operations forces.

Above all, as in warfare, the war cannot be won unless one exacts penalties from the real enemy, the enemy who

stands behind his terrorist and environmentalist foot-soldiers. One must strike at the enemy himself with sufficient effectiveness to force him to withdraw. Any alternatives to this approach are strategies of defeat.

# Labor Strife Masks Opposition To Healey

## Callaghan Fails To Consolidate Counterpole

The British Government of Prime Minister James Callaghan is currently being battered by a wave of industrial unrest which certain City of London financier forces hope will lead to Callaghan's premature fall from power and his replacement by a coalition more amenable to their designs.

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### BRITAIN

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When a strike by electricity workers blacked out television coverage of the traditional ceremonies which mark the opening of Parliament after summer recess, the *Daily Telegraph* could not help but savor the irony of the situation. Its lead editorial gloated: "With perfect symbolism and exquisite timing, the lights are going out all over Jim Callaghan." The Rothschild-linked *Times of London*, more to the point, recommended that Callaghan hand over the leadership of the Labour Party to the City of London's puppet Chancellor of the Exchequer Denis Healey, lest Healey lose his bid for power in the aftermath of a snap General Election.

What these monetarists have failed to estimate is the tremendous opposition from within Britain to a Healey takeover, reinforced by international censure of recent Healey-Bank of England connivances. Analysis of the current political line-up and especially events surrounding the Cabinet decision to "float" the pound indicate that Callaghan — responding to unmistakable trade union and industrialist pressure — made strenuous efforts to oppose Healey's "deal" with the City of London to wreak havoc on the domestic British economy as a by-product of the City's financial warfare against the dollar.

According to press accounts, Callaghan was strong-armed into allowing the pound to float upward (leaving the dollar in its wake) after the City's first preference — the lifting of exchange controls to permit channeling of "hot" money into profit-making overseas investment — was ruled out by the Cabinet as "politically impossible." The Trades Union Congress (TUC), Britain's labor confederation, had argued that permitting funds to flow out of the country would interfere with the availability of investment capital for British industry and the TUC's political clout prevented Healey from getting his way.

Although Healey was able to make good on at least half his bargain with the City's bankers — since the unofficial pound revaluation did not require Cabinet or Labour Party sanction — even this plan to insure the

"demise of the dollar" (as one commentator matter-of-factly put it) has backfired, due to combined action in defense of the dollar by the world's central banks.

The Confederation of British Industry, Britain's leading organization of industrialists, has protested the unmooring of the pound in no uncertain terms, claiming that a stable pound is essential to promote export growth. Within the government, a Cabinet faction appears to be taking shape which is adamantly opposed to Healey's reflationary demands. The debate over what to do with North Sea oil revenues has split government ministers into two camps. One, around Energy Secretary Benn Trade Minister Dell, and Industry Minister Varley, favors the use of such revenues for improved social services and industrial investment. The other, led by Healey and taking its instructions from Bank of England Governor Gordon Richardson, would channel such revenues into a short-term consumer boom via tax cuts and other reflationary devices. According to last week's *Sunday Times of London*, Callaghan is leaning towards the former position, which bears the hallmarks of trade union influence; while Healey's ephemeral solution is being attacked from all sides. At least one financial commentator, Anthony Harris of the *Financial Times*, has warned that "monetarist policies have impressed markets which themselves tend to be monetarist; but if the real world does not prove to be at least partly monetarist too, the Chancellor (Healey — ed.) could be in trouble."

#### *Callaghan Tested*

While Healey has been forced to concede on a number of issues due to trade union and industrial pressure, Callaghan is also being put to the test by these same forces. With British workers refusing to tolerate another year of collapsing living standards, a winter of industrial strife in support of higher wages is inevitable. Indeed, it has already begun, with the power workers, railway workers, miners, and now firemen lodging demands for 30-90 percent wage increases, well in excess of Healey's suggested pay "ceiling."

The Callaghan Government is still taking an extremely tough line with the unions, vowing not to let spiralling wage demands undermine its counterinflation strategy. Home Secretary Merlyn Rees, a Callaghan ally, has announced that troops will be used to maintain firefighting capability if the Firemen's Brigade Union goes ahead with its threatened strike set for Nov. 14 — an extremely provocative stance. Callaghan has also vowed that the miners will not be allowed to breach the unof-

ficial pay code either, since the coal industry is government-owned.

A repetition of spring 1974, when a bitter confrontation between the Conservative government of Edward Heath and the National Union of Miners took place, is extremely unlikely, since few sane trade unionists want to see Callaghan replaced by Tory leader Margaret

Thatcher. However, Callaghan's credibility is undergoing its most crucial test. To the extent that he continues to enforce austerity-level pay policy without enunciating strategy for industrial growth or joining on-going Franco-German efforts to bring sanity to the world monetary system, Callaghan's future may be as bleak as Healey's.

## Gaullist Chirac on 'Mastering the Future'

*From public statements, it appears that the Gaullist Party of France, otherwise known as the RPR, has made a "left turn" in the words of the leftist Parisian Le Matin. The Gaullists have come to realize that only by "recapturing the working class electorate of General de Gaulle" can the party grow and insure victory for the majority in the March elections. The government majority coalition currently consists of the RPR and the Independent Republican Party of President Giscard d'Estaing.*

### FRANCE

*Gaullist Party chairman and Mayor of Paris, Jacques Chirac, has been campaigning throughout the country for a program of national growth and national economic planning reminiscent of the de Gaulle era. Chirac's campaign platform is largely the result of the influence of Michel Debré, former prime minister under de Gaulle.*

*Here are excerpts from Chirac's campaign statement which appeared in Le Monde on Nov. 4 under the title: "Mastering the Future."*

"Less than 80 years ago, Paris was the capital of invention and technical innovation. After Germany and Great Britain, France honorably achieved the first stage of industrial development, that of coal and the steam machine. But the enrichment of the nation was hard on the humble and the condition of the workers (was) miserable. A little more than 20 years ago, electricity and oil permitted a new leap forward. But this time the conquests of progress were better shared: the buying power of the French wage-earners more than doubled during the 20 years that preceded the present crisis.

"It is this progression, better controlled socially, which is now at stake. But prospects exist. Nuclear energy, electronics, biology lead to decisive practical applications, opening new, fabulous horizons, even if they are sometimes a cause for concern. We have no choice. We must enter this "new age" of human destiny. It is a question of mastering the future. Only those nations which achieve this will be able to preserve their political independence...

"There exists in France a long and constant intellectual and moral tradition, fed according to the ages by very different input, but always in a state of more or less open hostility towards economic and technological progress... Saint Simon had sketched the most authentic

socialism, with an organization and morality of producers. Unfortunately his thought did not prevail."

At this point, Chirac addresses the antiproduction ideology which was "characteristic of the aristocracy" and which the 1789 revolutionaries "did not eliminate."

Chirac appeals at great length to former Premier Mendes France and other socialists to come out of the closet and assert their commitment to industrial development, against the predominant nonsensical and destructive zero-growth ideology that is put forward by Socialist Party leader François Mitterrand.

Chirac then outlined a program to get the economy back on its feet:

"What is needed is a real, determined, precise national will, which means national planning, the plan being nothing more than the instrument of the political will applied to the economy. And since, except in a dictatorship, such a political will can only come from the sovereign people, the latter must pronounce itself on the goals and means of its future.

"The electoral period will really be profitable for democracy if the country were to become conscious at that time that it must, above all, come out for the development of nuclear energy, as well as energy savings (that is, oil — ed.), for production of high technology qualifications, and a high surplus value, for a powerful agro-food industry, in short for what will constitute the precondition for progress as opposed to decadence."

Chirac outlines the necessary solutions as:

1) fighting unemployment through relaunching the economy by credits to capital intensive investments in industry,

2) State economic planning for a growing economy, setting up goals, and the financial means to achieve those industrial development plans.

Finally Chirac speaks of the need for "workers participation" which he locates in the upgrading of labor power that alone makes possible a worker's share in economic decisions. "Automation will take over more and more of the fastidious, repetitive and badly paid tasks. The effort accomplished in the area of education and professional training will, in a parallel fashion make each Frenchman into a highly skilled technician. At the price of heavy investments, a country like France, if it chooses the option of progress, will be in a position to upgrade each year hundreds of thousands of jobs, making them more productive, more interesting and much better paid..."

# Lister's Return To Spain Sparks Factional Battles

The return to Spain from exile this week of General Enrique Lister, head of the pro-Soviet Spanish Communist Workers' Party (PCOE), is the most significant public challenge to "Eurocommunism" yet to come from within the communist movement.

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## SPAIN

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Upon arrival in Madrid, Lister announced his intent to politically destroy the treacherous Santiago Carrillo, head of the Spanish Communist Party (PCE) and titular head of the Continent's Eurocommunists, and to rally the PCE base around himself. He called for a national congress of the PCOE. Branding Carrillo a "political gangster" and a "threat to democracy," Lister announced that he will shortly publish his memoirs, revealing Carrillo's personal direction of the assassination of Communist militants following World War II.

It is not yet known how deeply Lister's memoirs will go into Carrillo's forty-year career as an agent of British and American intelligence services. It was in his capacity as an Anglo-American agent that Carrillo was one of the primary organizers of the Eurocommunist phenomenon — a synthetic blend of social-democratic anti-Sovietism and Brookings Institution-style "national socialism."

Lister's "Finland Station" has Carrillo sweating. In a press conference in Yugoslavia Nov. 8, he denounced Lister as a "foreign agent." (He has publicly ignored the General since Lister left the party in 1968.) Carrillo admitted in a recent interview with the Yugoslav daily *Vjesnik* that his party is itself factionally split, since "some of the older cadre" oppose his Eurocommunist line.

At stake in this battle is no more than Carrillo's political neck. If Lister's move is successful, and particularly if he gives his campaign strong programmatic

content, it will provide crucial leverage to prodevelopment forces throughout Europe, and particularly to the opponents of Eurocommunism within the large French and Italian Communist parties. In the Soviet Union and Eastern Europe, a successful drive by Lister will strengthen the factional position of those "hard-liners" favoring scientific and economic cooperation with the West.

The Spanish press has indeed reported that the Soviet embassy in Madrid is known to be "not unhappy" about Lister's return. The unfortunate V.G. Afanasyev, the pro-Eurocommunist editor of *Pravda* who went to Madrid last month to plead with Carrillo to attend Moscow's celebration of the 60th anniversary of the October Revolution, now finds himself out on a limb. When Carrillo was abruptly forbidden to speak at the anniversary celebrations, Afanasyev hastened to issue a statement that Carrillo had submitted his message "too late" to be translated. Afanasyev neglected to note that the speech had been submitted in Russian!

Eurocommunism simultaneously came under attack elsewhere in Eastern Europe. The Czechoslovak Communist Party daily *Rude Pravo* censored out the most "pluralist" Eurocommunist statements from the anniversary speeches of the Italian Communist Party's Enrico Berlinguer and Romania's Nicolae Ceausescu.

In Poland, British conduit Mieczyslaw Rakowski, a journalist who advises party chief Edward Gierek on economic and social policy, has come under fire in the Warsaw paper *Zycie Warszawy* for "revisionism" and advocating economic decentralization.

In Portugal, the Socialist Party has split over the issue of Socialist Premier Mario Soares' compliance with the demands of the International Monetary Fund. Former Agriculture Minister Cardoso, a left SP member fired to make way for dismantling Portugal's agrarian reform, has led a faction out of the party. Cardoso, who has been close to Alvaro Cunhal's Portuguese Communist Party, has indicated that his group is open to collaboration with Cunhal. Soares, on the other hand, although a member of the social democracy, is a collaborator of Carrillo's.



# China's Press Reveals That... Factional Squabbles Dominate Country's Leadership

China's leadership is in turmoil, a fact revealed by the recent appearance of scores of articles in the country's press which are clearly factional documents. The Chinese population, and foreign analysts, have been exposed to a feast of articles telling at least some of the gruesome realities of the last 10 years of Mao's rule, as well as revelations of disagreements and debates in the new leadership. Yet, these articles rely on Maoist style of hyping the population. More important, China's foreign policy continues to center on hysterical attacks on the Soviet Union.

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## CHINA

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The peremptory arrest of Mao's widow and her three closest collaborators in the Politburo, the "gang of four", and the reinstatement of Vice Premier Teng Hsiao-ping last August, should have cleared the way for the new leadership to tackle the mess Mao and his 'gang' created in the economy, science, education, and culture.

But despite the appearance of stability at the top, the recent spate of articles betray dozens of personal power plays. Younger men are vying for positions while the old guard of septagenarians is involved in their own scuffles and power grabs. Mixed in with these squabbles are multifarious disputes over the allocation of limited national resources to defense, industry, agriculture, and of disagreement on how to mobilize the population behind whatever policies are chosen. It is clear that all of these articles are factionally motivated, but it is not yet clear exactly what the factions are, or who is in them.

The excerpts below reveal the larger goals of expunging the Maoist mode: launching a major export drive, revitalizing the press and making it readable by downgrading the use of Maoist phraseology, and allowing much greater freedom in science and culture. Though the sentiments are laudable, the obstacles are mammoth, and the proposals are clearly inadequate to the task they pose.

### China's Economy

*In the first article excerpted below, the degree of breakdown of economic life under the Maoists is revealed, as well as the measures which are an attempt to deal with that breakdown. Particularly notable is the reference to the high prices for agricultural machinery and low prices for farm products, a classic "scissors*

*crisis." No real solution is presented to this or other problems.*

*The second article lays out for the first time that a crash drive to produce exports is on, auguring a major crunch in items for domestic consumption. The article reveals the leadership's quandary in not wishing to lower consumption, but having little alternative to asking for belt tightening. This is contradicted by the third article's call for frequent increases in peasant living standards — provided they work hard! In the last excerpt, Teng indicates the desire to raise wages and catch up in science.*

*A speech by Vice-Premier Yu Chiu-li at 4th Session of Standing Committee of 4th National People's Congress on Oct 4.*

Owing to grave interference and sabotage by the "gang of four," there are still many problems in the economy. Some of the proportional relations in the national economy and the normal order of the socialist economy are deranged and these problems cannot be solved within the short space of one year. First, the growth of agriculture and light industry falls short of demand for the country's construction and the people's life. Second, the development of the fuel and power industries and the primary goods industry is not keeping pace with the growth of the whole national economy. Third, consolidation of economic management and the management of enterprises has just begun, and no significant improvement has yet been made as regards the poor quality of products, large consumption of material, low labor productivity, high production cost and the tying up of too much funds, which continue in some of our enterprises. And finally, there are some problems in the people's life....

First, it is necessary to deal relentless blows at the sabotage by class enemies and at embezzlers, grafters, speculators and profiteers. It is necessary to carry out criticism and education concerning capitalist tendencies within the ranks of the people and check them conscientiously... Second, enterprises and communes and production brigades must be consolidated in a down-to-earth way...

(We must determine) whether appropriate rules and regulations are adopted and strictly observed, the organization of the enterprise has been simplified and surplus non-production personnel returned to the work shops, and whether there are significant improvements in fulfilling the eight economic and technical norms, especially those relating to quality, consumption of material, costs and the maintenance of equipment and installation. ...Third, economic work must be consolidated. The crux of the matter is better management

of plans and strengthening the planning of work. The "gang of four" undermined our planned economy so seriously that for the past few years the national economy was in fact developing in a semi-anarchical fashion....

Fourth, great efforts must be made to strengthen the weak links in the national economy. In the first place, agriculture must be strengthened to ensure the fastest rate of increase in the production of grain and economic crops and in diversified economic undertakings. If the agricultural foundation is not solid and firm, industry cannot develop at high speed and the people's livelihood cannot be improved...The emphasis should still be placed on improving soil, building water conservancy projects, applying more fertilizer and breeding of fine strains of seed...We must take all possible measures to increase grain production by a bigger margin every year from now on, so that the needs created by population increase are met and at the same time we can expand the scale of construction, improve the people's livelihood and increase the amount of grain reserves. Farm mechanization must proceed from and conform to the actual local conditions with emphasis on practical results....In line with the spirit of Chairman Hua's instructions, we must give prominence in industry to the power, fuel and raw material industries and communications and transport and develop them vigorously so as to give more effective aid to agriculture and light industry... Fifth, ...increasing the enthusiasm of the masses for socialism (and meeting our goals) demand that we investigate and study a number of important policy matters covering prices, the labor force, wages, energy and the development of new techniques, and solve them step by step. As regards the price policy, we must study and settle the problems flowing from the relatively high prices for certain items in the means of production in agriculture and the relatively low prices of certain farm and sideline products, raw materials and fuel. As for the labor force and wage policy, we must study and settle the problems of how to further implement the principle of over-all planning the proper arrangement, use labor power rationally and raise labor productivity; and how to apply better the principle "from each according to his ability, to each according to his work" and to ensure "more pay for more work and less pay for less work" in distribution...

Sixth, efforts must be made to solve some key problems in the people's life which the masses want immediately solved. For office employees and workers in the cities, we should focus our attention on improving collective welfare and the supply of non-staple foods, solving the problem of housing group by group and stage by stage and providing better public utilities...Efforts should be made to improve commercial and service work. For commune peasants the major issue is to solve such problems as increasing production and income and supplying more consumer goods and building materials needed for house construction....

*Article by Minister of Foreign Trade Li Chiang, "Distinguish Between Right and Wrong in Line and Actively Develop Socialist Foreign Trade," in Oct. Red Flag.*

...To import, we must export a corresponding amount of goods. This is common sense....

We must continue to improve the administrative structure of foreign trade in accordance with the principle of facilitating the application of unified standards in dealing with the outside world....

...Premier Chou said: "Foreign trade must promote domestic trade and production..." foreign trade departments in various localities must closely coordinate with relevant departments in going deep into the spheres of production, in maintaining contacts with the masses, in conducting investigation and study, in participating in production, in doing a great amount of work, and in acquiring abundant experience. For instance, on the basis of international market requirements, they should outline exports categories, assist production departments and rural communes and teams to organize and promote production and handle procurement work well....

Premier Chou said in 1972, "Why can't we let plants with better facilities produce export items?" Practice has shown that doing so will facilitate meeting the requirements of the international market, promoting the sales of commodities of high quality and well-known brands, and stabilizing the supply of export items on a regular basis according to fixed schedules and established norms for quality and quantity....

First, the export of essential supplies having a bearing on the national economy and people's livelihood is to be limited. Second, actively develop the production of these commodities in short supply and earmarked for the domestic market and for export purposes, and set aside a portion for export. Third, commodities that are insignificant in the domestic market may largely be used for export. Implementing this three-prong principle calls for "setting aside" a portion of commodities for export on the basis of developing production. Chairman Mao often pointed out: "We must economize on food and clothing to insure exports, otherwise what little extra we have may be consumed by our 650 million population."...

We must be good at using different products, times and markets in importing and exporting and flexibly use all trading methods under various complicated conditions. Doing business with flexibility is not only the task of the people engaged in foreign affairs but a task shared by various quarters concerned with foreign trade. We must give full rein to the superiority of our socialist system and make an effort to meet Premier Chou's demand to "do every business transaction well."

*People's Daily Oct. 22, "Be Concerned with the Well-Being of the Masses, Be Sure to Increase Production and Income".*

...Chairman Mao said "We must see to it that, except in case of extraordinary natural disasters, given increased agricultural production, 90 percent of the cooperative members get some increase in their income and the other 10 percent break even each year....

To increase production and income, it is necessary to implement the party's policy and management system for running people's communes and uphold the principles: "To each according to his work, the more one works, the more one gets," and "Those who do not work must not eat."

*Teng Hsiao-ping, in an interview with Claude Roussel, editor of Agence France-Presse, Oct. 21.*

*On wages:* "It is ten years since we increased wages...In future we count on raising wages a little each year."

*On modernizing the economy:* "We have a lot to do in this field...we will introduce advanced foreign techniques... (In science and technology) the gang of four carried out sabotage for 11 or 12 years but the efforts will be felt for 20 or 30 years...."

### China on Education

*China recently announced that all high-school graduates over the last ten years are eligible and encouraged to sit for examinations to enter college. This is an attempt to make up for the virtual cessation of higher education during that period. The two excerpts below reveal the extent of damage done to education, and the necessity of correcting it — but fail to provide a means to rectify the problems identified. No numbers are given, but the number of eligible students must be in the neighborhood of 100 million — for perhaps 200,000 college spots. If only 20 percent of those eligibles apply, there will be one opening for each 100 students!*

*People's Daily article, Oct. 23, by Pien Ku: "Scholastic Examinations Are Very Necessary."*

Profound changes will be occurring in college enrollment procedures. Everyone is elated over this news. With the downfall of the "gang of four" education has a bright future.

(Under the gang,) scholastic exams in college and middle and primary schools were abolished outright or existed only in name... (To determine the extent of damage done by the "gang," tests were recently given in Shanghai) that covered basic knowledge that middle schools students should know. Advance notice and ample time was given to review the lessons. Only a few people scored relatively good results: the scores of the majority were not so ideal. 68 percent flunked mathematics, 70 percent flunked physics and 76 percent flunked chemistry. What was really shocking was that some people could not even answer one question which pertained to their own specialties. They could only turn in blank examination papers. Nobody knows the actual situation when tests are not given, but the results of these tests were indeed shocking...Can we blame these college students for not studying while they were in college? No we can't...As for students who suffered under the gang, we must enthusiastically help them acquire the knowledge which they were unable to attain. They suffered a great deal from the fallacy that "studying is useless"...Now we can see clearly that the sabotage of the "gang" in the educational revolution delayed the training of thousands of young people. This damage is more serious than that caused by the reduction in output of tens of millions of tons of steel....

*Kwangtung Daily editorial on Oct. 21 on selecting students for college enrollment: "Make an All-round Assessment and Select the Best."*

...On the whole, the contingent of scientists,

technicians and other types of qualified persons in our country is still rather small and poor in quality...College enrollment has a direct bearing on the quality of higher specialists trained by universities...When they enroll students this year, the institutes of higher learning should extensively recruit talented people... We are not yet in a position to have universal higher education and we can only select a small number of people to go to college.

### Maoism Gets Backhanded Lashing

*It is impossible to identify factions, but the clear attacks on mindless Maoism and its use in political debates revealed in the excerpts below are definitely part of behind-the-scenes factional maneuvering. The first article by the Army, attacks the destruction of the media by the "gang," and then decries using 'the spirit of so-and-so' to sanction deception. The second article, by a top military man, openly attacks using Maoism as it has been in recent years, and all but calls for its being put on the shelf for ceremonial occasions. The Army has always been mostly anti-Mao. The third article amplifies the same theme, while the fourth calls for greater openness and freedom in the arts and sciences. The fifth, by Teng, indicates the limits on liberalization.*

*Liberation Army Daily editorial's commentary Oct. 18, "Rectify the Style Writing by First Eliminating the Word 'Sham' "*

A major crime of the "gang of four's" stereotyped writing was telling lies. They were dishonest in word and in deed, dished out sham reports, concocted sham typical cases, peddled sham experience, fabricated sham history, and even dared to forge the revolutionary teacher's words...

(Instances of sham news reports were):

...Starting rumors based on nothing but thin air and fabricating facts. A fine, sunny day in a certain place at a certain time in a certain month is arbitrarily defined as "a day with heavy snow falling from the skies." (Etc.) ...Changing the point of view at will...Some journalists "change facts" or change the point of view at random to force objective reality to meet certain needs of present-day propaganda...Such directing and manipulating are especially serious in press photography...Exaggerating, playing up, and bragging at will. A press report should be as honest as a battle report should be in time of war...In order to heighten the so-called ideological horizon, some typical reports went to great lengths to use "flashy" language, deliberately embellished the facts and reported everything as perfect. Some arbitrarily credited a single unit or even a single person with the fruitful results achieved by several units in their collective coordination. Some referred to the part in terms of the whole, to the individual case in terms of the general situation, and to the occasional in terms of the consistent. They reported what was still in the plan as already being underway and what was under way as already completed, and so on and so forth...

The cases of deception listed above are relatively obvious. But in addition, there are a variety of "subtle" cases of deception such as: making a piece of news out of old information by putting in a perfunctory phrase like "inspired and spurred on by the spirit of so-and-so;" ...In

recent years, due to the interference and sabotage by the "gang of four" and Lin Piao, some people started to doubt what has been said in the newspapers. This actually damaged our party's prestige among the masses. Can we overlook its seriousness?...

*Nieh Jung-chen, Politburo member, article in Sept. issue of Red Flag.*

...The idea underlying "On Practice" (a work by Mao written in 1937), is seeking truth from fact. Practice and objective reality are primary.... We must resolutely oppose taking words and phrases torn out of context from Marxism-Leninism Mao Tse-tung thought as dogma with no regard to time, place and circumstances. Seeking truth from facts means opposing empty talk and lying. (We must combine proletarian democracy with centralism.) Without democracy (in the party) there can be no correct centralization. Without democracy, it is impossible to know the situation at the lower levels and ensure a smooth exchange of views between higher and lower levels. Without democracy, it is impossible to sum up experience correctly and derive correct policies. This is true in party life and true also in the political life of the country.

*Article in People's Daily by Party History Research Group of the Museum of Chinese History: "Carry Forward the Party's Fine Style of Study" PD, Peking, November 3.*

...Chairman Mao bitterly hated the idealist opinion and practice which deifies the wisdom and strength of an individual. He said: "I think it would be presumptuous for anyone to claim god-like omniscience and omnipotence." Chairman Mao also consistently taught us to do things honestly seek truth from facts and work in a scientific way. He said: "We must believe in science and

nothing else, that is to say, we must not have blind faith in anything. What is right is right and what is wrong is wrong, whether it concerns Chinese or foreigners, whether it concerns the dead or the living. To believe otherwise is blind faith."

...Marxism-Leninism-Mao Tse-tung Thought is not the "absolute truth" dropped down from the skies, but a scientific theory verified in the course of revolutionary practice...The objective world changes all the time. In order to push the revolution forward all the time, it is necessary to incessantly develop the revolutionary theories which reflect the objective laws. There should be no end to this development...it is necessary for us to re-study important teachings of rectifying the style of study given by Chairman Mao...We say that Marxism-Leninism-Mao Tse-tung Thought is a universally applicable truth. What we mean are the basic theories which we sum up in the works of Marx and Lenin and the writings of Chairman Mao. We do not mean that everything they said is a wonder drug that can cure all diseases. Of course we do not mean it.

*Radio lecture on Mao's "Double Hundred Principle," Nov. 1.*

In the artistic field, we should encourage people to fully develop their versatile talents in pursuit of a career which serves workers, peasants, and soldiers, (and we should) spur the free development of various art forms and styles.

In the scientific field, the principle encourages people to boldly undertake creative explorations and various schools of thought in freely contending with one another. Regarding the question of right and wrong in the scientific and artistic fields, it must be resolved by upholding the method of free discussion and practice. Measures should not be allowed which impose one style and one school of thought and prohibit another.



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