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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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First the Carter Administration **torpedoed the dollar** with the announcement that William Miller is to be the new Federal Reserve head... Then a **new policy of supporting the battered U.S. currency** was declared — **for the moment**... Now, the outcome of the policy fight behind both moves will determine not just the fate of the dollar, but **what kind of year 1978** will be — one of unprecedented economic disaster, or the beginnings of a world recovery... This week's **INTERNATIONAL** section leads with a **situation report** by the chairman of the U.S. Labor Party, **Lyndon H. LaRouche**... who warns that anyone "**who does not grasp London's role in every major evil afoot is a helpless blunderer**, whose well-meaning enterprises are **foredoomed to failure** by his stubborn ignorance on this point"... Plus, the story of how the dollar plunge was turned around, and **what's required next**... and a country-by-country, day-by-day rundown of the **terror wave in Europe** that shows the other side of the City of London's gameplan...

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**Who tangled the strings** during Jimmy Carter's **disaster-prone** world tour?... Our **U.S. REPORT** gives the answer: **Zbigniew Brzezinski**... and describes how Carter was

pushed to **ignore security precautions**, led into a series of embarrassing gaffes, and **programmed** with Brzezinski's dangerously provocative foreign policy line... **Another looming disaster** is the proposed appointment of William Miller to replace Arthur Burns at the helm of the Federal Reserve... Cutting through the blather in the popular press, we give you the lowdown on who Miller is and **who he represents**... his personal and policy ties to Big MAC architect Felix Rohatyn... and how Europe reacted to his nomination... in **U.S. REPORT**...

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The **Friends of the Earth** have some interesting friends themselves... for this "respectable" environmentalist group has **close working relationships** with well-known **think tanks and foundations**, the United Nations, and the World Federalists... and with ultra-extremist "green" and other **terrorist** operations around the world... **COUNTER-INTELLIGENCE** this week rips the cover off the Friends, revealing them as the "**missing link**" between the terrorists and their British intelligence-led controllers... in an **exclusive report** that gives the definitive answer to the question: **what sort of animal is an environmentalist?**...

A *Special Supplement* to this issue of the **Executive Intelligence Review** presents the policy that can finish off the London assault on the dollar, and put the U.S. economy on the road to **full production and full employment**... the **U.S. Labor Party's** proposal for a "**Hamiltonian Eximbank**"... A full description of how the U.S. Export-Import Bank's role can be **expanded** to foster a dramatic increase in trade and the development... what **corollary measures** will be required... and the **scope of the benefits** to United States and the rest of the world... **Featured**: a look at the policy of high-technology exports the Eximbank is already pursuing...

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**Also in this week's issue**... in **LABOR**, the shocking story of how the federal government is handing **hundreds of thousands of dollars** to help them sell Youngstown steelworkers a "**buy your bankrupt plant**" scheme... in **ECONOMICS**, a hard look at the downturn in farm land values, and

what **the collapse of the land "buffer"** will mean for farmer and consumer alike... and in **EUROPE**, a report on France's upcoming elections that goes **beyond party labels** to show the real political choices that the French will be facing when they go to the polls...

**COMING IN OUR NEXT ISSUE —**

An important new document from U.S. Labor Party chairman Lyndon H. LaRouche on how the military leadership of the Warsaw Pact is viewing the current strategic situation... and on the dynamic that may lead them into a war-winning mode, and the world into World War III. No military — or other — leader can afford to miss "Dwight Eisenhower's Soviet Friends." Read it in **MILITARY STRATEGY** in our next issue.

INTER-NATIONAL
U.S. REPORT
ECONOMICS
ENERGY
SCIENCE TECHNOLOGY
LABOR
COUNTER-INTELLIGENCE
EUROPE
MIDDLE EAST
ASIA

# Crazed British Run Berserk

*The following statement was issued on Dec. 31 by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.:*

Following President James E. Carter's earlier Atlanta declaration of support for the U.S. dollar, he reversed policy 180 degrees a few days later, torpedoing the dollar with the appointment of G. William Miller to replace Arthur Burns as head of the U.S.'s central banking system.

Like most of the major evils facing the human race today, the Miller appointment cannot be understood except as a British intelligence penetration of, in this case, the top-most policy strata of the United States.

The situation to the East is of the same quality. Top British intelligence agents, deeply planted within top levels of the Soviet intelligence and other strata, are presently manipulating Soviet policy, so that the Russian bear, for the moment, dances on cue to tunes composed in London.

The leading individual in any part of the world who does not grasp London's role in every major evil afoot is a helpless blunderer, whose well-meaning enterprises are foredoomed to failure by his stubborn ignorance on this point.

First, the most relevant facts concerning the United States. That outlined, we shall indicate how these link up on the terrorism and Middle East negotiations issues with British networks inside Soviet, Arab, and numerous other governments.

## *Main British Agent Networks Inside The United States*

British penetration-subversion of the United States radiates from Manhattan banks which are both financially and otherwise affiliated with Lazard Brothers of London. Hence, Lazard Freres in Manhattan and that institution's Felix Rohatyn (the Hjalmar Schacht of Manhattan) are close to the center of British subversion of the U.S. government. British influence also usually penetrates into Lazard's sometimes bitter competitor, the Lehman Brothers/Kuhn Loeb interest. Kuhn, Loeb, in turn, is a major factor in David Rockefeller's Chase Manhattan Bank, where it competes against Lazard insurgents attempting to take control of that bank.

(Hence, the policies of Nelson Rockefeller and those of the Trilateral Commission are not necessarily the same, and may be directly opposed.)

The most important of the political factions controlled by British influences inside the United States are the Hubert Humphrey liberal faction inside the Democratic Party and the usually allied Kennedy faction. Top British agent in charge of subversion operations against the United States, Wheeler Bennet\*, was very friendly, one might put it, to the Kennedy family, and Lazard's Andre Meyer has had a guiding role in Kennedy family financial affairs.

The penetration into the Republican Party is exemplified by the case of Lazard-linked Max Fisher of Detroit, who squats as a spider in the center of the midwestern Republican liberal faction. Another important conduit of British influence into conservative/Republican circles centers around the figure of imitation-Oxonian William F. Buckley.

In the labor movement, the leadership of the United Auto Workers union has close links to British intelligence networks, as the case of British-born, Fabian-trained former UAW president Leonard Woodcock illustrates. The British intelligence control of key conduits of the AFL dates from Samuel Gompers, and British intelligence penetration of U.S. Social Democrats and the League for Industrial Democracy offshoot dates from Victor Berger.

## Who Is G. William Miller?

*See this week's U.S. Report  
page 4 for the answer*

British intelligence's penetration of U.S. intelligence and related institutions is massive. The Rand Corporation is not only a spin-off of the Tavistock Clinic's own wartime Strategic Bombing Survey, but Rand was shaped from its early years under Tavistock and allied British specialists and policies. The Georgetown Center for Strategic and International Studies (CSIS) is another nest, as is the notorious Brookings Institution. Of more recent vintage is the international network of the Institute for Policy Studies, the so-called "left CIA," which interfaces regular British intelligence operations so tightly at certain points that no organizational distinction is feasible.

It is symbolic that Henry Kissinger is effectively a British intelligence agent of influence in the United States. Kissinger's career in intelligence began with Helmut Sonnenfeldt. Both were part of a team headed by Fritz Kraemer and the U.S. Social Democrat and intelligence specialist Theodore Draper. At this time and other points, Kissinger's career interfaces the liberal networks of the Oppenheimer-Oppenheimer interests, and the British intelligence networks associated with Nahum Goldman.\*\* More significant is Kissinger's patronage by William Yandell Elliot, an American prominently associated with British intelligence operations in the United States since the early 1920s.

\* Sir John Wheeler Bennett is head of the private intelligence group of the Royal Institute for International Affairs.

\*\* Nahum Goldman is head, since 1951, of the World Jewish Congress.

Elliot, in turn, was closely associated with Wheeler Bennett.

Through these British intelligence-linked sponsors, Kissinger was put through Harvard, given a prestige position in connection with British intelligence's Wilton Park "re-education project," and programmed into the Council on Foreign Relations and the National Security Council. During the 1950s he was sent to the top brainwashing facility of British intelligence, the London Tavistock Institute. It was immediately after that deep indoctrination that Kissinger advanced the doctrine of exploiting the element of madness in strategic policy, and produced the documented policy-proposal for which he is notorious since then.

Of special importance in British intelligence operations against the United States are the Canadian Special Operations Executive (SOE) activities formerly associated with Lord Beaverbrook and Sir William Stephenson. This is one of the main channels of British intelligence conduits into its Peking networks, and is also one of the major channels for conduiting heroin from China, by way of Hong Kong, into the central United States by way of the old Canadian scotch whiskey running routes. (The British, incidentally, not only created the Italian Mafia as a back-up force for their puppet Giuseppe Mazzini, but British networks organized the U.S. branch of the Mafia into the syndicate under Meyer Lansky. The "silver triangle," the Caribbean end of the drug-running into the U.S., is run by the same networks today, with funds running through banking conduits linked to London Eurodollar market operations.)

#### *The Scorecard on Washington*

Once one has the essential categories of British influence outlined above, and knows the corresponding pedigrees of key political and other figures in the U.S., there is very little mystery concerning why U.S. policy tends to be directed against the most vital interests of the nation.

Humphrey, Kennedy, and their Fabian-liberal allies in the Senate, with Senator Jackson a special case, are able to run amok as long as liberal Republicans, including those linked to Max Fisher, follow Henry Kissinger's leadership.

In the Executive, Mondale is a Humphrey protégé, as is Stuart Eizenstat within the White House staff. Blumenthal at Treasury and Schlesinger at Energy are key figures of British influence stripe. Bergland at Agriculture is a straight Humphrey protégé. Zbigniew Brzezinski profiles in pedigree and policy to the same effect.

By seizing key institutions in labor, finance, and government, as well as political parties, and by grabbing control of key positions in the intelligence establishment, a relatively small, determined British-influenced minority, actually based on about 20 to 25 percent of the national electorate, is able to exert massive control over U.S. policy — even against most vital national interests.

#### *Scorecard on Europe*

Since the founding of the Socialist International, British intelligence has maintained relative hegemony by securing key positions of influence for its agents and agents-of-influence. The break between Portugal's Soares, an agent, and the base of the Socialist Party in that nation over the IMF conditions affords a fair indica-

tion of the way in which to distinguish real Social Democrats from British types in these parties.

In France, London controls the leadership of the French Socialist Party, as well as the bulk of the terrorist movement in France. The Breton, Basque, Corsican, and Polisario terrorists are all nothing but British covert operations. London also controls the Jean Monnet networks of London influence in France.

NATO was a British project. It is now headed by Alexander Haig, picked as a lieutenant-colonel to become an aide to Kissinger, at the point Kissinger was appointed to the National Security Council — picked by Fritz Kraemer, still holding a key civilian post in the Department of the Army. The rest of the NATO command — the real command — is essentially British officers, with a few other countries' nationals permitted for decoration.

In Britain itself, the center of the octopus is the Royal Institute for International Affairs. The Institute intersects the Lazard's and London Rothschild interests, who together control the London *Economist*, *London Times*, *Financial Times*, with support from the Beaverbrook and Murdoch press—for near-totality control of that side of opinion molding. The London International Institute for Strategic Studies is not a top think-tank, but an influence-disseminating operation directed at subversion of key institutions in continental Europe and other nations. It is a subsidiary operation of the Royal Institute. MI-6 (Secret Intelligence Service - SIS) and MI-5 are officially part of the Welf monarchical household privileges, linked to the Welf monarchy, but generally under the control of policy-formulations in the Royal Institute.

#### *Soviet Penetration*

One of the most important British intelligence operations of the present century was British intelligence's successful duping of Soviet intelligence, placing Maclean and Philby high in the Soviet command-structure. This acts now as a nodal point of British intelligence operations inside Eastern Europe, intersecting such other British operations as the systems-analysis channels of penetration, as via Vienna.

Although it is by no means clear that British intelligence had decided to plant Philby on the Soviets before the last war, British war, British intelligence doubled Philby to the Soviets beginning approximately 1932-33 (if we include a cosmetic preparatory touch-up in England in the doubling). Philby was undoubtedly selected as the suitably conditioned son of one of SIS's most trusted agents. Until a recent point, U.S. intelligence was also duped in this affair, although irritated that British agents later planted on the Soviets doubled themselves most frequently by delivering U.S. — not British — top secrets to the Soviets.

With Philby's arrival in Moscow, coinciding with a crucial shift in Soviet policy and an ongoing set of KGB adjustments in command, Maclean's career zoomed, more or less publicly, while Philby, more quietly, worked himself into a sensitive position within the KGB's overall apparatus. Maclean became prominent in an intelligence think-tank known as IMEMO. Out of this was spun off Georgii Arbatov's USA-Canada Institute. Through a virtual coup in Soviet and other Eastern European circles which became most visible about May-June of this

year, the Soviet leadership is now running half-blind in respect to major developments in the world — since IMEMO and the Arbatov institute are controlling intelligence channels providing the Soviet leadership with overview of Western Europe and North America.

To a very large degree, the Warsaw Pact is currently a duped puppet of British intelligence in operations against Western Continental Europe and the United States. This is aided by British influence inside the U.S. command such as Blumenthal, Eizenstat, Schlesinger, and Brzezinski, who manipulate U.S. policy to the effect of pushing Moscow deeper into London's embrace.

For example, recently Soviet KGB networks have moved toward support of terrorist groups, including the Polisario, which are the clearest-cut cases of British covert operations, and in no sense genuine movements partially infiltrated by British agents. The "Black consciousness" movement in southern Africa, for example, is a British intelligence operation coordinated out of the London Institute of Race Relations, which is a British-created intelligence operation run under joint operations with the U.S.-based Institute for Policy Studies and its Netherlands, Transnational Institute conduit. (The London base of Amnesty International, and similar features of the World Federalist movement ought to attract prudent counterintelligence attention by non-British agencies.)

#### *Brzezinski and Dayan*

The "Arab Rejection Front" is an entity manipulated from within by ancient British intelligence "Sunni" networks. The special feature of this front, the Popular Front for the Liberation of Palestine of Dr. Habash and British terrorist agent "Carlos," is a straight British intelligence operation. That understood, certain mysteries of the current negotiations evaporate.

Moshe Dayan is working directly with Lazardian British connections against Menahem Begin. His highest placed collaboration inside the U.S. comes from Z. Brzezinski. Hence, now, Dayan's forces are promoting PFLP terrorist attacks against Israel and propeace Arabs, as one part of the efforts to disrupt the negotiations. Habash and Dayan are in fact in a bloody tactical alliance on this specific issue.

The danger of general war is actually accelerating at this moment, in direct consequence of British operations. What is building up is a new, Soviet-linked "rejection front" aimed at creating a new permanent division within the Middle East, which London hopes to control with aid of its manipulation of the duped Soviets. What London is actually doing to the Soviets is to set into motion that specific potentiality of Soviet Oblomovism which leads into general war under the kinds of deteriorated world conditions British influence is generally tending to create.

#### *Available Options*

Naturally, there will be a stiff fight inside the United States against the Miller nomination and related atrocities. Once the fight is won, the U.S. dollar will rise toward its proper value. The problem Europe, Japan, and other sectors have at this moment is that of preventing a temporary collapse of the dollar from engendering permanent chaos and lasting deep world depression.

London proposes that the only choice for the nation is between the dollar and the British pound as the key monetary instrument with the bubble-brained proposal of the International Monetary Fund's Special Drawing Rights (SDRs) still kicked forward occasionally. That, happily, is not the limit of alternatives. Given the deteriorating condition of the international economy of the United Kingdom, a British pound has the long-term content in sight of toilet paper. The remedy is for Continental Europe and Japan to immediately establish a firm "snake" agreement based on gold at market price, and to establish centralized hard-commodity credit institutions for providing well-regulated credit markets.

The crucial strategic advantage of such an immediate measure is that such a step will cause the collapse of the City of London's position.

Fighting off London's terrorists one by one must, in some cases, be done. However, the only effective way to put an end to the entire array of evil is to strike the octopus in the vital center. Crush the City of London and London's reason for continuing its evil games ends. Strike the center and the limbs will variously wither or be easily chopped up.

## Manic London Says Fed Shift 'Makes No Difference;'

Even as the impact of the joint Bundesbank-Federal Reserve action to bolster the dollar was pushing the pound back from the heights it had reached earlier in the week, the British press was manically claiming that a sterling-led empire system was still an established fact of political life, while the U.S. — with no effective leadership in key economic posts — was "effectively finished as a world power."

The U.S. decision to support the dollar is only a temporary palliative, the press said. The only way the U.S. could possibly redeem itself, according to one

British banker, would be to take the lead in promoting a program of lower energy consumption and a re-orientation of civilization toward "whole new patterns of living" based on negative levels of economic growth.

Amid the "New Empire" hysteria, the *London Times* even offers a call for the Soviet Union to decentralise its economy and the return of the land to the peasants.

With the humbling of both the U.S. and the Soviet Union, the British would then be free to breathe "new life" in European institutions, such as NATO and the European Economic Community which would effectively



fall under British leadership.

*"U.S. Past Its Peak"*

"The U.S. is past its peak of pre-eminence. It is at its end as a power. There is no candidate yet to replace the U.S.... Maybe the U.S. population will decide to re-industrialize... But this will be the first time that such a coup would be pulled off..

Regarding the central bank intervention announced to bolster the dollar, the bankers said this would "make no fundamental difference." The U.S. would only be accepting debt denominated in foreign currencies and this would further serve to demonstrate its status as an impoverished nation indebted to the wealthy nations of Europe, who loan their currencies for short-term stabilization purposes. In the U.S., there is basically a "crisis of leadership." The dollar is in a "free fall," and this will stop only when "confidence exists."

*"Why No One Wants Dollars"*

London Times, editorial, "Why No One Wants Dollars," Jan. 4:

The President confuses monetarists and Keynesian economists alike ...the confusion is the apparent actions of the Administration is no more than a reflection of the confusion, many would say the bankruptcy of ideas which pervades the economic establishment of the United States... (there is) no dominant intellectual figure in the Federal Reserve or at the head of the Treasury or as Chairman of the Council of Economic Advisors, or as head of the Office of Management and Budget, or elsewhere in the White House.... American domestic policy is open to charge of irresponsibility in its failure to come to terms with energy.... The truth is that any package which does not use the full rigor of the price mechanism to reduce consumption and increase domestic supply will not be facing up to the magnitude of the problem...

*"Carter Must Bring Nil Growth"*

The Guardian, quoting an article by oil consultant Alan Parker in *Lloyd's Bank Review*, Jan. 4:

(If the Carter Administration fails to introduce new awareness of its responsibilities to curb energy use) large jumps in the relative price of energy will set off a world spiral of cost inflation, curbing of living standards-wage inflation.... The necessary process of adjustment to less energy-intensive patterns will be compressed into a short space of time which will also be a period of nil growth and perhaps social unrest... If disaster is to be avoided... the consuming world's energy growth must be checked... (What is needed is) a "long-term continuing

adaptation of whole patterns of living and working, away from energy intensive goods, services and patterns, and towards low-energy ones.

*"Living With Strong Pound"*

Financial Times, editorial "Living With a Strong Pound," Jan. 3:

It now seems virtually certain that the strong rise in sterling during our undeclared national holiday was not simply an accident due to the weakness of the dollar....

Companies which are anywhere near an international standard of efficiency should still do well, for even at its present level, the exchange rate leaves British real wages low by comparison with our main competitors.... If the dollar situation does not stabilise, the pressure on sterling could produce the kind of consequences already seen in Japan and Germany: a pressure on profit margins so severe as to demoralise industry entirely and cause a collapse of investment.

*Britain Should "Initial a New Spirit"*

London Times article by Lord Cromer (*former Governor of the Bank of England and associated with the British banking family of Baring Brothers*), Jan. 3:

It is once again within Britain's power by leadership backed out of performance to instill into NATO a new spirit of life to counter the flagging resolve to which we have over the last decade or so contributed so excessively.... The European Community, if it is to mean anything in a world dominated by superpowers, needs a European Community capital market and it is essential to such a market that Britain forms an integral part...

*"If I Were Supreme Ruler of All the Russias"*

London Times, Sir John Lawrence (*chairman of the Great-Britain-USSR Association*), "If I Were Supreme Ruler of All the Russias," Jan. 3:

I am one of those numerous people who are always glad to tell the Soviet Government what to do... First of all I should introduce reforms in agriculture by which a peasant family could acquire an indefeasible right to farm an adequate holding for 15 years... I would give peasants who availed themselves of the offer a free hand in how they cultivated the land and marketed its produce.... I would not touch the state ownership of big business, but I would decentralize its administration... I would encourage artisans and small traders on a small scale... I would not abolish the KGB but I would cut their budget progressively... I would be content to rehabilitate Bukharin (Britain's top penetrating agent of Soviet leadership — the 1920s — ed.).

# International Pressure Reversed Administration's Dollar Policy

An international coalition led by Arab oil-producing nations and West European governments succeeded this week in forcing a dramatic about-face by the Carter Administration on the issue of support for the U.S. dollar. Abandoning — for the moment — its previous “malign neglect” policy, the U.S. Treasury announced on the afternoon of Jan. 4 that it would conduct “joint interven-

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## FOREIGN EXCHANGE

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tion” to prop the dollar’s value in close coordination with the U.S. Federal Reserve Bank, the West German Bundesbank, and other leading central banks.

Immediately prior to the Treasury’s announcement, the dollar had plummeted to record lows against all other major currencies — as Arab, European, and Japanese investors registered vehement disapproval of the nomination of the Lazard Frères-linked G.W. Miller as the new Federal Reserve chairman. It now appears that an important element in the successful “arm-twisting” of Carter was the threat that Arab and European central banks would stock up on gold and move to impose a gold-based monetary arrangement in the event that the dollar’s free-fall continued.

The central bank intervention, however, will prove a short-term palliative at best. Long-term stabilization of the U.S. currency will require strong measures to halt the deindustrialization of the U.S. and step up capital goods exports, thereby erasing the nation’s enormous trade gap.

If followed up in this way, this week’s dollar support operation could spell a decisive setback for City of London merchant banking interests who have been deliberately encouraging the dollar’s decline so as to resurrect the faded pre-eminence of the pound sterling. In the days and hours preceding the unveiling of the U.S. intervention policy, the British press openly gloated about the “inherent strength of the pound sterling” while lecturing the U.S. on its lack of “a dominant intellectual figure” in any key economic post (see excerpts, above).

According to the Jan. 5 *New York Times*, Saudi Arabia’s King Khalid, who met with Carter in Riyadh, played a major role in the U.S. policy reversal. “King Khalid was reported to have served notice that his country could no longer be a force for moderation in international oil price diplomacy if the dollar, the currency in which virtually all oil contracts are involved, continued to depreciate.”

Following his talks with Khalid, Carter proceeded to Paris the same day, where, according to French radio reports, Giscard also raised the issue of dollar support with Carter. In his speech in Paris, Carter stated that “America’s efforts will be directed toward maintaining the strength of the dollar” but, aside from implementa-

tion of “a major tax cut,” Carter gave no indication of how this would be achieved.

An article in the Jan. 5 *Chicago Daily News* entitled “Armtwisting by Arabs Seen in Aid to Dollar” provides further confirmation that Saudi and French influence had been instrumental in Carter’s decision to launch the intervention. According to the Chicago daily, Carter’s decision wasn’t “entirely voluntary.” It was “more than a coincidence that this happened while Carter was abroad,” a foreign-exchange chief at a major U.S. bank was quoted. The *Daily News* indicated that the Arab petro-dollar holders had threatened Carter with an end to their investments in the U.S.

Moreover, a leading New York gold analyst reported that in the four days preceding the intervention, investors “principally from the Middle East” but also West Europeans massively switched out of dollars into gold. “They were moving into gold merely for its measure of value. They’re not speculators. They’ve just had it with paper and the dollar in particular.”

The Arabs and Europeans were not alone in their concern for dollar stability. According to the Dow Jones news service, unidentified “New York money managers had been urging the New York Federal Reserve for some time to push in Washington for stronger dollar support...this urging plus similar counsel from German Chancellor Helmut Schmidt and probably from Mideast leaders apparently produced a top-level decision in favor of more aggressive intervention.”

### *Rothschilds Exploit Weakness*

Although the Federal Reserve was reported to be intervening “aggressively” on Jan. 5, offering packets of “20 million marks or more” to every major New York bank, U.S. policymakers have yet to detail the extent to which they are prepared to go in defense of the dollar. So far, all that is known is that the Fed and Treasury will “actively” avail themselves of pre-existing swap lines — lines of credit — from 15 central banks, totaling \$20 billion. The Treasury will also draw on its Exchange Stabilization Fund of about \$4 billion, now consisting mainly of dollars, and for this purpose, has opened an additional \$2 billion swap line with the Bundesbank. But as long as the fundamental questions — such as the negative impact of Carter’s “no-growth” energy program on U.S. industrial capital formation and the stagnation of U.S. exports — are not addressed, it can only be a matter of time before the swap lines are used up. The antidollar City of London faction is already maneuvering to take advantage of this fact. A top official of a Rothschild-linked European bank argued this week that the swap arrangement would make no fundamental difference for the dollar, since the U.S. has been reduced to the status of a debtor nation — an estimation potentially even more damaging. “The U.S. is past its peak of

pre-eminence. It is at its end as a power." According to this official, the dollar could conceivably stabilize and the world economy "recover" during 1978, if European governments are forced to reflate, Carter's energy program is passed, and U.S. interest rates are hiked, but this will only lead to a bigger "collapse" in 1979.

Recognition of the temporary character of the present measures has already begun to depress U.S. capital markets. On Jan. 5, the Dow Jones industrial average rose 7 points in the morning, only to close more than 8 points down on the day.

Helping to spark the market's decline was a *Wall Street Journal* lead article indicating that some leading New York commercial bankers are less than enthusiastic about the effectiveness of the intervention. David Rockefeller, chairman of Chase Manhattan Bank, was quoted: "Market intervention can't stop a trend, but it can damp the amplitude of swings." Morgan Guaranty's chief economist Rimmer deVries stated: "A little extra intervention isn't going to have a lasting impact." Worse, deVries contended that the former Blumenthal policy of intervening only when markets are disorderly had not been changed.

#### *Herstatt Casts Its Shadow*

During the last week, foreign exchange markets have been more volatile than in any period since the chaos following the August 1971 floating of the dollar. The rapid currency shifts, *Le Monde* economic columnist Paul Fabra warns, could set off another "Herstatt" crisis — a reference to the 1974 failure of a small West German bank due to foreign exchange losses which nearly brought down the entire Eurodollar market.

Before the intervention, Dow Jones reported a rumor that Dresdner Bank, the second largest German bank, had suffered major foreign exchange losses. The rumor was denied by a Dresdner spokesman. A New York foreign-exchange chief indicated that "two or three" German banks might be in trouble, both big and small, especially those which had invested heavily in dollar-denominated Eurobonds. There is also the danger of major losses incurred as a result of the central banks' "bear squeeze" operation against those who speculated on a further dollar decline.

Whether the rumors are well-founded or not, the table below demonstrates the risks inherent in the current monetary crisis.

—Alice Blythe

## Run Into Gold Puts Pressure On U.S.

Gold bullion not only served as the key short-term lever for Western European and Mideast financial leaders during last week's dollar crisis, but it appears that the crisis is speeding up these policymakers' timetable for restoring gold's role as a stabilizing medium of world reserves and trade payments. The Jan. 4 modification of the U.S. Treasury's dollar sabotage was in large

Treasury. In this connection, the trip of Swiss central bank chief Fritz Leutwiler to Japan last week to beef up dollar-support coordination takes on added importance.

But little more has surfaced regarding the West German, Swiss and French central banks' intentions to remonetize gold, an option intricately bound up with NATO and Arab-Israeli negotiations.

### GOLD

measure forced by what New York's best-informed gold dealers described as a heavy Arab switch from dollar holdings into gold — not, these sources emphasized, as a speculative attack against the U.S. currency, but "merely for gold's measure of value. They've just had it with paper (investments) and the dollar in particular." One analyst described the moves as the first time since the 1974 oil crisis that gold was used as "an alternative to money" rather than just a hedge against currency depreciation. Moreover, the relative stabilization of the dollar toward week's end allowed Mideastern and European holders of dollars to buy gold without disrupting the exchange rates or taking fire-sale losses.

The international role of gold was further underscored by two financially significant trade deals — the USSR's swap of gold for wheat with the U.S.-based Continental Grain Co., and Kuwait's agreement to take South African gold in payment for petroleum. On the central bank level, Japanese monetary authorities were reported to be buying gold to beef up the slim bullion portion of Japan's resources, despite contrary pressure from the U.S.

#### *The U.S. and GOLD*

After the "swap" activations, there were various press speculations that, in order to repay the foreign currency the U.S. had borrowed from central banks abroad in order to perform support purchases of dollars, the U.S. Treasury might have to sell gold, since — as the need for the swaps implies — the Treasury has so little foreign exchange holdings of its own. Thus the U.S. would be put in the position of an Italy or Portugal, under pressure to pawn its bullion to pay its debts, and confidence in the dollar would erode further.

A former linchpin official in the Nixon Treasury Department, however, commented on Jan. 6 that Congressional traditionalists would be unlikely to permit American gold reserves to be bled away. Instead, he suggested, they would legislate a change in the present official price of \$42 to the market price of currently \$170 an ounce — giving the U.S. a soundly-based total of over \$50 billion in non-dollar reserves, enough to quash the prospect of a speculative run against the dollar. Moreover, having ended the quite nonsensical U.S. refusal to acknowledge the higher value of gold, the U.S. would then be in a position to more or less willingly join the international gold-clearing arrangements blue-printed by the assassinated West German banking leader

Jürgen Ponto, and add American weight to the Euro-Arab gold fulcrum being set up this month in Luxembourg.

This specialist clearly projected such arrangements as an expansion of liquidity available for world trade financing, rather than a something-to-hang-onto fetishization of gold. No such programmatic thrust has been made in the open, however, since Ponto's incomplete mootings in the summer of 1977. And it is the lack of broad, concrete, brass-tacks public discussion of the monetary setups required for trade and investment expansion that have permitted doom-of-the-dollar pundits to dominate post-Jan. 4 commentaries. At week's

end, London-linked gold traders were still preening with confidence that "gold will never be remonetized" (a development that would shake out both the worthless pound sterling and the London merchant banks' plans for preying on a negative-growth world economy). Who cares about Europe, they said, as long as London and New York control the gold markets? At the same time, spokesmen like Paul Fabra of *Le Monde* were insisting that any capitalism worth the name requires long-term credit and monetary stability for growth; but it remains to be proven what transatlantic pro-development forces will do to secure the gold underpinnings which represent a necessary, if far from sufficient, condition for world recovery.

## British Wave Of Terror In Europe, Middle East

A wave of terror and assassination is sweeping Western Europe and the Middle East. Involved are British intelligence, the British-linked Moshe Dayan networks in the Middle East, and British terrorist networks on the continent, now in the process of regroupment following a series of successful arrests of leading terrorists by European police and security forces.

While some of the incidents have as their target specific individuals — in particular those involved in the current Middle East peace negotiations — much is "confetti": apparently random violence which is intended to build a climate of terror while deflecting scrutiny and countermeasures from the Whitehall and Wormswood Scrubs Prison headquarters of British MI-6 and MI-5 intelligence organizations. In fact, the seemingly endless array of terrorist organizations count as their members seasoned professionals who are recycled from this "left" terrorist group to that "right-wing" movement and back as British intelligence scenarios are worked out for the destabilization of governments orienting their policies toward peace and global economic development.

As the grid below shows, there is no truth to the claim that the violence is a product of an "intelligence war" involving Syria, Egypt, and the Palestinians; terrorism is strictly a British operation.

### London

*Jan. 1:* Two employees of the Syrian embassy in London were killed when a bomb exploded in their automobile.

On the same day, so-called radical Palestinians seized the Arab League office, located in the same neighborhood as the killing of the two Syrians.

*Jan. 3:* Said Hammami, the Palestine Liberation Organization representative in London, was assassinated by terrorists, also in the same London neighborhood, according to *Agence France Presse*. Hammami was a leading proponent of Middle East economic development as the basis for a comprehensive peace settlement. As British intelligence knew, Ham-

mami was key to arranging meeting in London between propeace Israeli officials and the Palestinians.

According to Israeli radio, Hammami had publicly attacked British imperialist presence in the Middle East just days before he was murdered, pledging to eliminate their influence on the governments and policies of that area.

The PLO, in a statement issued in Beirut, said that it would hold British authorities responsible for the murder until the criminals were brought to justice; a Scotland Yard spokesman said that "it will be extremely difficult to capture the assassins."

In Geneva, the PLO's representative said that although operatives of Israeli intelligence may be directly responsible for pulling the trigger, it was President Carter's pro-British National Security Advisor Zbigniew Brzezinski who gave the green light to the terrorists by stating last week that the world may say "bye-bye PLO."

### Middle East

*Jan. 2:* An Air India 747 jumbo jet enroute to the Persian Gulf region crashed on take-off from New Delhi. Witnesses at the scene heard explosions immediately before the plane, carrying 260 passengers, went down. The Indian government suspects sabotage.

According to radio reports, the passengers were largely skilled technicians heading for job assignments in the Persian Gulf oil sector. The crash, which killed all the passengers on board, followed by barely a week an unsubstantiated *New York Times* article planted by U.S. Energy Secretary and appearing under Seymour Hersh's byline, claiming that the Saudi Arabians were facing cutbacks in their oil production due to "technical difficulties." Three days before the crash, Air India's London office received a threat from the radical Hindu International Proutists group that they would blow up an Air India airline. The International Proutists — Progressive Utilitarians — assassinated an Indian

diplomat in Washington, D.C. two weeks ago.

*Jan. 4:* A prominent West Bank moderate Arab leader was murdered, the second such assassination in two weeks. The Arab leader had just visited Egypt, and had been a critical liaison between the PLO and the Egyptian government.

## Italy

*Dec. 22:* A member of the terrorist Autonomi youth gang was shot in a Rome street.

*Dec. 25:* A member of the right-wing Movimento Sociale Italiano (MSI) was shot in retaliation for the shooting of the Autonomi member.

*Dec. 27:* The Autonomi held a demonstration in Rome protesting the killing of their member.

Another MSI member was killed by the terrorist Red Brigades.

A new terrorist group called "Communist Frontline," a joint project of the Red Brigades and West Germany's Baader-Meinhof Gang, bombed a prison under construction in Turin. Frontline has claimed credit for kidnapping a West German businessman.

During that same week, the offices of the Independent Movement were bombed in Trieste; an MSI office was bombed in Turin; the offices of the Christian Democratic

### Why Was Hammami Slain?

*PLO leader Said Hammami made this statement not long ago on Israeli-Palestinian relations in an official PLO publication.*

Let me outline a possible projection of the future if a Palestinian state were established on a part of the Palestinian homeland and if the Palestinian leadership then decided to pursue an evolutionary strategy towards its ultimate goal of a "state in partnership."

Our first task would then be to secure a massive injection of external aid for the economic and social development of the Palestinian state with a view toward putting it, in time, on an equal footing with Israel in terms of industrial, technological, and educational progress. I have no doubt that ample funds for an intensive program of development would be readily forthcoming from the Arab world and also, I would hope, from the international community.

An essential aspect of this program of development would be the creation of employment opportunities within the Palestine state with a view to maximizing its capacity to support population. For our second task would be to promote the progressive "ingathering of Palestinian exiles now living in the diaspora"...

Thirdly, we would aim to open and maintain a continuous and developing dialogue with any elements in Israel...regarding the form of a mutually acceptable coexistence.... We hope that it will be possible before long to work out a form of coexistence which will enable the two peoples to live together within a unified Palestine, while maintaining through cantonal arrangements and a constitutional division of administrative powers the distinctive character of each.

Party, the party of Prime Minister Giulio Andreotti, were bombed in Bologna and Belgano; and a firebomb attempt was made on the Rome offices of the Communist Party.

*Jan. 4:* Fiat's security chief Carmine de Rosa was assassinated in front of his house by terrorists wielding machine guns. Both the Armed Workers for Communism and the Armed Proletarian Nuclei terrorist sects have claimed credit for the murder. According to U.S. intelligence officials, the assassination was a highly professional inside job, carried out by British networks operating at the highest levels of the Italian government — networks which *Executive Intelligence Review* has documented as linked to, if not controlled by, Italy's Interior Minister Francesco Cossiga.

## France

*Dec. 24:* French President Giscard d'Estaing received a phony bomb in the mail. Attached was a tag from the Fauchon grocery store in Paris which was destroyed by an explosion on Dec. 19. The tag was signed by the anarchist MAM group which claimed credit for the Fauchon bombing, one of 20 separate bombings which have taken place throughout France since Dec. 24.

*Dec. 25:* The home of Deputy Grotteray, a member of Giscard's Independent Republican party, was bombed. The National Front for the Liberation of Corsica claimed responsibility. At an FLNC press conference on Dec. 18, the group announced its readiness to kick the Foreign Legion out of Corsica, to bring the armed struggle in France to a "harder phase" and to implement "a better strategy to-confront the French state."

*Dec. 26:* The FLNC bombed a railroad station in the Paris suburb of Villepinte, claiming as its reason that the railroad company is cooperating in France's oppression of Corsica.

The guard post at the Sacilor steel plant in Moselle was blown up.

The Paris home of Communist Party leader Georges Marchais was riddled with bullets. Marchais is the target of attacks from the Trotskyist Lutte Ouvriere, which is charging that Marchais is a "Stalinist...Send him back to Moscow." Later that week, Marchais received a phony bomb in the mail. Like the incident involving the the French President, the anarchist MAM group has claimed credit.

The DELTA group, linked to the right-wing Secret Army Organization, issued death threats to police officials. Earlier in the month, DELTA claimed responsibility for the murder of the Guard of the Amical des Algeriens. In a message to the press, DELTA announced: "We will hit their person or their dearest relatives, the representatives of movements or trade unions which support the Polisario," a terrorist group demanding the liberation of the West Saharan region spanning Morocco and Algeria.

The so-called CARLOS Committee reportedly set fire to a Paris real estate agency. The CARLOS Committee has been responsible for a series of bombings late in November. In a statement issued through *Agence France Presse* and reprinted at length by the *London Times* on Nov. 22, the committee announced its intention

to stop the French nuclear program through violence.

*Dec. 28:* Several police stations in southern France were bombed, reportedly by the Autonomist Committee for the Freedom of Terreros.

The Workers Direct Action Committee claimed responsibility for several bombings during the week. The committee allegedly merged with NAPAP, which was responsible for the murder of a guard at a Renault auto plant, and is termed by police "the French Baader-Meinhof."

## Spain

*Dec. 27:* Capping a month of daily shootings and bombings by Basque separatist groups, a heavily armed band hijacked two shipments of explosives as they passed through the Basque region. The Suarez government has removed the official who was responsible for the shipments' safe passage.

On the same day, a Spanish military base was raided by suspected ETA Basque separatists, who netted over 40 machine guns and an undetermined number of rifles

and other munitions. Earlier in the month, a four-man ETA commando unit attacked the security post of the Lemoniz nuclear plant in Bilboa. The ammunition which they carried was enough to blow up the whole plant, according to the press. The attack was repelled by security guards, who severely wounded one terrorist.

## West Germany

*Jan. 1:* West German security officials defused a bomb at the Egyptian embassy in Bonn, minutes before it was set to explode.

*Jan. 5:* The daily *Die Zeit* ran an ad entitled "Who Killed Baader?" asking four questions of the type: "Did West German commando teams sneak down the fire escape of Stannheim prison?" This sort of ad is specifically geared to setting the environment for actions in West Germany, which has been relatively free of such incidents as a result of the West German government and police officials' systematic crackdown on the terrorists.

— *Kathy Stevens*

# Brzezinski, The Choreographer Of Carter's Bad Trip

Thanks to the "guidance" of National Security Advisor Zbigniew Brzezinski, Jimmy Carter's first major international tour as President must be judged a fiasco from the standpoint of real U.S. national interests. With the sole exception of his Jan. 4 Paris speech, in which he announced America's commitment to "maintaining the

## THE ADMINISTRATION

strength of the dollar," Carter's disaster-filled trip — from mistranslations and overheard private conversations up through the substantive policy issued addressed — has borne Brzezinski's unmistakable mark.

Even more dangerous than the fact that Brzezinski appears to have gained temporary control over U.S. foreign policy, Carter has consistently breached security arrangements during the tour. Apparently persuaded by Brzezinski that the best way of making a favorable impression on his hosts would be to emulate John F. Kennedy's free-wheeling "charismatic" style, Carter has been spontaneously lunged into crowds unescorted at every opportunity, even though Western Europe is now suffering a new wave of terrorism. The fact that Carter has persisted, on the advice of his "advisors," in courting personal harm — despite stern warnings from European security forces and from France's President Giscard personally — can only be read as yet another attempt in the long-standing aim of the Administration faction allied with Britain to clear the White House of Carter in favor of Vice-President Walter Mondale.

Carter's trip, originally conceived by Brzezinski last fall as a way to play up the Trilateral Commission's policy line, reflected his national "insecurity" advisor's imprimatur even before it began. In a nationally televised interview just prior to his departure from Washington last week, Carter nearly undid all of U.S. Secretary of State Vance's efforts to aid in reaching a comprehensive Middle East peace settlement: Carter declared that his Administration was opposed to an independent Palestinian state and favored a Palestinian entity linked to Jordan or *Israel* instead. The President's gaffe drew cries from Egypt's President Anwar Sadat; it was only Vance's frantic efforts to soften the statement that prevented the incident from wrecking the already fragile peace negotiations.

### Provocations in Poland

Although Vance is accompanying Carter on the seven-nation tour, his efforts to modify Brzezinski's lunatic

provocations have not been in evidence outside the sphere of Mideast policy. From all available evidence, Brzezinski has been orchestrating the entire trip — and it shows.

In Poland, the first stop of the trip, the President not only revived the human rights issue (one of Brzezinski's more notorious failures) at his press conference, but also attempted to justify the highly controversial U.S. neutron bomb by claiming that it is "much less destabilizing" than some of the new Soviet weapons. The Soviets have repeatedly stated that the neutron bomb, if deployed, would lower the threshold to nuclear war.

In the meantime, Brzezinski — known by the Polish leadership as the man most responsible for the 1968 "Prague Spring" destabilization operations — committed a deliberate breach of diplomatic protocol and met with Catholic Cardinal Wyszinski even before Carter's official state meeting with Poland's leader Edward Gierek.

Complementing Brzezinski's provocative antics, the British-linked West German black propaganda sheet *Der Spiegel* chose the occasion of Carter's visit to Poland to publish the manifesto of a hitherto-unheard of East German "dissident group" supposedly including high-ranking Communist Party members. *Der Spiegel's* publication of the manifesto is precisely in line with Brzezinski's recent vow to conduct "psychological warfare" against the Soviets, by especially playing on their fears of the Chinese. Among other things, the manifesto endorses the Peking leadership's charges that the Soviet bureaucracy is "neofascist."

Then there came the much-publicized translator's "errors" of Carter's speech in Warsaw, which had the President professing his "lust for the Polish people" while attacking the Polish constitution as "ridiculous." Such antics only confirmed the general conclusion that Carter was not carrying out diplomacy, but heading up a traveling insane asylum.

### Threats in India

In India, Carter betrayed similar signs of Brzezinski's dangerous manipulation, this time in relation to economic, and particularly, nuclear energy policy. Earlier in Iran, Carter made his much-touted "concession" to the Shah of Iran on the transfer of nuclear technology. In reality, Carter's concession was nothing more than an agreement to reach an agreement on the sale of eight nuclear reactors to this Middle Eastern nation which is

often the focus of U.S. nuclear sabotage.

Following his meeting with Indian Prime Minister Desai on Jan. 2, the President's confidential remarks were recorded and subsequently released in another well-publicized "blooper." He complained to his Secretary of State that Desai had been "pretty adamant" in his refusal to accept U.S. proposed safeguards in return for U.S. supplies of enriched uranium for India's vital nuclear energy industry. Carter implicitly threatened to halt all uranium shipments to India after the next one unless Desai gave in.

In response to Desai's refusal to buckle under to the Administration's nonproliferation policy — another Brzezinski brainchild — Carter told Vance it would be necessary to write a "cold and very blunt" letter to the Indian leader warning him to accept the U.S. conditions — or else.

Carter's speech to the Indian Parliament later that day betrayed the same Trilateral Commission-City of London looting orientation. Carter made a downright insulting effort to cover up for his earlier threats on the nuclear question, offering U.S. aid to develop solar energy in India. The President tried to sell his "substitute" for nuclear power on the grounds that India has plenty of sunlight! Then, in phrases lifted from the World Bank's Third World deindustrialization programs, Carter praised India's "rural employment" programs and called on India to help create an international food reserve to meet the threat of famine in the 1980s.

## Paris and Brussels

During the final leg of his journey, which included stops in Paris and NATO headquarters in Brussels, Carter's public statements were chiefly oriented toward defense policy. Retailing Brzezinski's policy perspective, the President announced in Brussels that the U.S. was firmly committed to beefing up conventional military forces in Western Europe, even if this meant a major increase in U.S. defense spending.

Although no details of his private discussions with President Giscard have been released so far, it has been announced that they agreed to disagree on the question of nuclear power, and that the U.S. will not cut nuclear exports to France, which has an aggressive commitment to nuclear energy development, especially of the fast-breeder reactor. Carter also succeeded in angering the powerful Gaullist Mayor of Paris, Jacques Chirac, by failing to visit City Hall but meeting with British-linked French Socialist Party leader François Mitterrand.

## Carter's Reviews

Predictably, the City of London's press conduits in the U.S. and elsewhere are having a field day with the President's ill-starred trip. On the one hand, the *New York Times*, the *Washington Post*, and their ilk are gleefully playing up Carter's faux pas, sneering at him for trying to be "presidential," while, on the other, patting him on the head for toeing their policy line.

*New York Times, editorial, "India, the Atom and a Candid Microphone," Jan. 4:*

A few weeks ago we expressed the hope that India would, during President Carter's visit, back up its pledges of peaceful use of the atom by accepting international inspection of *all* its nuclear facilities and materials. We now know that Mr. Carter was unsuccessful in obtaining these "full-scope safeguards" and that Prime Minister Desai was "pretty adamant" in refusing. But the open television microphones that picked up this discouraging Carter report to Secretary Vance — and created a minor diplomatic embarrassment — has also given some reason for hope....

Another reason to welcome the open microphone incident is that it should end any uncertainty about Mr. Carter's determination to pursue full-scope safeguards. The President made it clear to India's leader that he fully supports a bill — overwhelmingly voted by the House and now pending before the Senate — that would cut off nuclear exports to countries that fail to permit full-scope safeguards. Nuclear fuel supplies would continue for an interim period; consistent with that breathing space, Mr. Carter announced in New Delhi that a second reload of fuel for an Indian nuclear power plant would be provided now. That gesture, however, might have been misinterpreted had not the open mike revealed Mr. Carter's intention, on returning to Washington, to send Mr. Desai a "cold and very blunt" warning: without full-scope safeguards, the end of the supply line is in sight....

*Washington Post, editorial, "Chasing India's Bomb," Jan. 4:*

The diplomats are aflutter over the possibility that the Indians will be offended and their nationalism aroused by the chance disclosure that President Carter is not at all happy with their government's refusal to accept "safeguards," against diversion to military use, on their peaceful nuclear facilities. The rest of us, however, can be grateful that Mr. Carter did not know his microphone was "open." He revealed that he is not taking Prime Minister Morarji Desai's "no" on safeguards as final. He's writing "another letter, just cold and very blunt." Since an impression was about that the United States was averting its gaze from India's continuing nuclear irresponsibility, this is good news, indeed....

*Washington Post, op ed by David Broder, "Time for Carter to Come Home," Jan. 1:*

Jimmy Carter has gone abroad.

That is not just a statement on the President's whereabouts, but a comment on an important shift of focus that has taken place since he entered the White House almost a year ago....

After a year of mucking up that mess (Washington—ed.), a year of nagging arguments with Congress and the interest groups about what ought to be done and in what order, Carter gratefully shucked his bluejeans and work shirt, jumped into diplomatic pinstripes and set off to see the world. Nobody can blame him....

... (but) on a political note, Presidents — and especially Democratic Presidents — tend to be judged by the voters on their record in domestic affairs. You can stack the



treaties as high as the Washington Monument and they won't be as convincing to voters as a healthy economy, with more jobs and better pay.

The message to the touring President really is: You have to come home again.

The Daily Telegraph, London, editorial, "My Friend Mr. Gierek," Jan. 4:

President Carter must already regret that remark about the "cold and very blunt" letter he proposes to send to Mr. Desai.... Yet on reflection Mr. Carter may regret even more things he said in Poland. There he declared, for instance, that he and Mr. Gierek, the Polish dictator, had "already become close personal friends." ...How on earth can one become a close personal friend of someone...whom one has met only for a few hours in highly artificial circumstances, and with whom one has absolutely nothing in common, neither back-

ground nor experience nor ideals nor even language?

...Close personal friendship, coupled with mental confusion, conquers all....

New York Post, front-page story with banner headline, "Security Goof: Carter aides radio his plans into the Casino de Paris," juxtaposed to quarter-page picture depicting Carter laying a wreath at a gravesite in the American cemetery in Omaha Beach, Jan. 5:

The Secret Service accidentally got into the act in the middle of a cancan when details of President Carter's itinerary here came over a music hall's loudspeaker. For two nights in a row it wasn't the topless dancers who stopped the show at the Casino de Paris: It was the voices of the American agents on the street whose walkie talkies were on the same frequency as the theatre's sound system...

## McGovern Aide:

# We Are Going To Have To Topple The President

*Exclusive to Executive Intelligence Review*

*The following are excerpts from an interview with an aide to Sen. George McGovern (D-SD).*

We are goddamn disappointed with everything we have been hearing in the way of social programs coming from the White House. Carter is a total jackass, a disaster for the country and the economy. He is committed to balancing the budget and that kills any meaningful social program—if you won't spend money, then you can't accomplish anything.

The American people were hoodwinked. They put another asshole Republican in the White House. He is our fourth rotten President in a row. All over the Hill, in his own Administration, even the Domestic Council, people have had it up to here with Jimmy Carter. Some people are reserving their judgment until after he makes this urban policy speech. But we have people on the inside and they tell us that Carter is going to deliver a big zero—it will go over like a lead balloon. We are told that he is going to say how there will be no major new programs, no big money for the cities. Well the chickens are going to come home to roost.

We are going to have to pull down this President like we did Johnson and Nixon. My boss is going to play a big role like he did the last time. The way we look at it is that it is only 30 months to the Iowa primaries. Maybe we could knock Carter out of the box before then. McGovern is going to come forward with a comprehensive plan to save the cities—a real program, not like Carter's bullshit. Lee Webb (head of the Institute for Policy Studies Center for Alternative Policies for Local Governments—ed.) is helping us write it. IPS is also working on a new speech with us about the "Three

Americas." Class gaps are getting wider, there is now a third class—the left out.

The country will fall into worse chaos and violence than in the 1960s if something isn't done soon. You should expect big riots in the cities this summer if we don't get a real urban program. How can you blame these people (the "left out"). They know that if they burn the ghettos to the ground, then something will have to be done.

McGovern has written a new book (his autobiography) and will be going on a speaking tour next month. At one of the stops or at a speech in Chicago with Jesse Jackson we will put out "The Three Americas" concept and follow it up with an urban program. We will have a lot of support. Everybody always attacks George for being outspoken, but behind the scenes a lot of people support us and help us along. Last March, when McGovern lashed into Carter, people like Kennedy and (Speaker of the House Tip) O'Neill defended the President. You know, they worked it out with George that they would do that but they really were working with us and agreed with everything we said.

By the time of the mid-term convention in June, Carter should be on the hot seat. His people like Hamilton Jordan and Jody Powell think the convention will be some kind of second coronation, that everyone will praise the sitting President. Bullshit. We will come there not to praise Caesar, but to bury him.

Once this stuff breaks out in the press, Carter will run scared. It's his profile. He can't take criticism. He will scramble about trying to accommodate to our positions, but he will just keep stumbling. He'll make Herbert Hoover look like a genius. But he'll be gone—who knows, maybe before the term is up. We Democrats have to limit our damage in having nominated this moron.

# Who Is George Miller?

Senatorial confirmation of Carter nominee George William Miller as Chairman of the U.S. Federal Reserve Bank would place the U.S. dollar and the nation's economy in grave peril of being smashed and brought under the complete policy control of America's City of London adversaries. A close look at Miller's career tells why.

A 1952 graduate of the University of California Law School, Miller received on-the-job training as a British agent-of-influence against U.S. national interests at the New York City-based law firm of Cravath, Swain, and Moore. Four years at this London-linked law firm brought Miller in contact with the top personnel responsible for carrying out Britain's debt collection policies against Germany following both world wars. John J. McCloy, the U.S. military governor and High Commissioner for Germany from 1949-1952 who played a crucial role in creating the occupation forces' legal and intelligence apparatus after World War II, was an early member of the firm. Cravath, Swain, and Moore, also responsible for guiding the Church Committee's watergating investigation into the illegal activities of the U.S. Central Intelligence Agency, counts as its top clients the Rothschild associated Kuhn, Loeb investment banking house, IBM, CBS, and *Time-Life* Magazines.

In 1956, Miller was drafted into the corporate leadership of Textron, Inc., a Providence, R.I. industrial conglomerate. Brought in as an assistant secretary, Miller was promised a vice presidency within the year if he could successfully implement policies of milking Textron's industrial subsidiaries toward the goal of bringing annual rates of "profit" up to 8-10 percent. Within four years Miller was president of Textron, Inc.; in 1968 he assumed the additional post of chief executive officer of the firm; he has been chairman of Textron since 1974.

Textron is not an industry, nor is it interested in enhancing the industrial potential of the United States, as the *New York Times* and the *Washington Post* have tried to convince their readers. It is, put simply, a financial conglomerate committed to "making a profit" off of all the companies it had swallowed up since Textron began "diversifying" in the 1950s.

"To look at Textron's operation," said the *New York Times* on Dec. 30, "is to look at an industrial and financial supermarket." Billed in its financial prospectus as a "growth company," the Providence-Boston-based conglomerate started out in 1923 as a special yarns corporation, expanding by the end of World War II to become a leading textile firm. Under the leadership of President Roy Little, Textron became one of the nation's first conglomerates, acquiring Bell Helicopter in 1952.

When Miller joined the company, he continued the process only begun by Little. The final touch was applied in the early 1960s when then-Chief Executive Officer Rupert C. Thompson reorganized the management of Textron into a competitive profit center à la General Motors.

As the company exists today, Textron is roughly

broken up into five different operations each consisting of several different companies which compete for the highest annual profit. The first is Textron's aerospace section, consisting most prominently of Bell Helicopter. It is known that Bell Helicopter provided much of the helicopters and parts for the Vietnam War effort under very lucrative contracts from Robert McNamara's Defense Department.

The second is Textron's consumer items section, accounting for 20 percent of its business and including the manufacture of Talon zippers and Speidel watch bands. Textron's industrial and metal products groups consist of acquisitions in the ball bearing, machine tool, castings, and engine manufacturing sectors.

Finally in the 1970s, Miller formed the "creative capital group" of investment and insurance companies, rounding out Textron's "for profit only" image which is pushed by their investment bankers at Lehman Brothers.

As late as May 1977, Textron was agreeing to buy up 2.7 million shares of Allied Chemical stock owned by the Solvay Company, a Rothschild firm based in Belgium. Miller is on the Board of Allied Chemical which is a major holding of the Andre Meyer family of the Lazard Brothers investment house.

## *The Rohatyn Connection*

London-inspired press circles in the U.S. have reported the story of Miller's success at turning Textron away from a policy of industrial production in glowing terms. What has been meticulously deleted from all press accounts of the nominee's professional history, however, is his intimate personal and policy connections to Felix Rohatyn, former head of the banker's Big MAC dictatorship over New York City and a leading spokesman for the City of London operating out of the lower

## *Miller quotes*

Federal Reserve chief nominee Miller, the only corporate executive in attendance at Felix Rohatyn's fascist planning session of the Conference of Northeast Governors (Coneg), chaired a panel session on decentralizing the U.S. defense industry at that November 1976 meeting. As Miller put it when the discussion took a turn toward defense considerations in the event of a Soviet missile attack, "We should aim to spread production around. If an atomic bomb hits one city, we can begin production elsewhere." Textron chairman Miller, also a director of the Conrail holding corporation that bailed out the Northeast's bankrupt railroads, suggested that the most efficient way to achieve decentralization of U.S. industry is to put factories on railroad flatcars, "so they can be moved around."

Manhattan offices of the Lazard Freres investment banking house.

Miller is a director of the Policy Research Center of the Conference of Northeast Governors (Coneg), which is chaired by Rohatyn. Miller chairs its Energy and Transportation Committee. It was the Coneg Policy Research Center which hired Lazard Freres' attorneys, the firm Paul, Weiss, Rifkind, Wharton and Garrison, to draft its proposal for the Energy Corporation of the Northeast (Encono), a scheme to give Lazard and allied British-linked investment banks leverage over northeast industry by giving them control over the region's energy supplies.

Miller was also the only corporate executive to attend the notorious Coneg "war council" in Saratoga Springs, N.Y. following the election of President Carter. That meeting mapped out a "100 Days" program for the Carter Administration of deindustrialization, "reverse energy embargos," and other plans for artificial energy shortages in the U.S., power blackouts and other emergencies to force populations to accept austerity and economic regimentation, and development of labor-intensive jobs projects. Its work was reflected in the zero-growth energy austerity program unveiled by the President last spring.

At that conference, Miller advocated a program of "decentralization" of both U.S. industry and urban centers ostensibly to safeguard them against Soviet rocket attack. He also backed plans for U.S. development of mobile land-based missile systems against the USSR.

Miller's activities outside of Textron also include:

\*his position as Class B director of the Federal Reserve Bank of Boston for the past six years. This branch of the Federal Reserve is known nationally for its orientation toward the needs of finance capital rather than industry.

\*his appointment by President Kennedy in 1963 as the first national chairman of the Industry Advisory Council of the President's Committee on Equal Employment Opportunity. Miller's appointment coincided with the beginning of the federal government's union-busting Affirmative Action push among U.S. minority workers.

\*his chairmanship, at the request of the Labor Department, of HIRE (Help Through Industry Retraining and Employment), billed as a national effort

to find jobs for Vietnam veterans, but actually a prototype for low-wage training of unemployed workers.

\*a presidency of the New York-based businessman's organization, the Conference Board. Conference Board chief economist Albert Sommers has been an outspoken advocate of wage-price controls for U.S. industry, and is favorable to Humphrey-Hawkins-type public works programs. Sommers is also a consultant to the Rothschild's Drexel, Burnham, Lambert investment banking house.

*With Friends Like These...*

Miller's appointment has been hailed by the British-inspired Mondale faction in the Carter Administration. Economist Arthur Okun quoted Treasury Secretary Werner Blumenthal — the architect of the recent fall in the value of the dollar and a leader of the pro-British forces who has urged Carter to dump current Fed Chairman Arthur Burns — characterizing Miller as "the best thing on wheels that's ever come along."

Slave labor jobs advocate Rep. Henry Reuss said "he sounds great. His record on jobs is excellent, and I would like to see the country's monetary policy focused not just on a stable dollar, but on stable jobs."

Walter Kicinski, the director of the Coneg Policy Research Center said, "This is wonderful. He's the best possible choice from our standpoint." Kicinski characterized Miller as a "strong believer" in regional banking schemes of the type represented by Rohatyn's Encono.

There can be no doubt that Miller will use the Federal Reserve post to steer the nation's credit policies in support of the hyperinflationary, labor-intensive job creation policies of Vice President Mondale, Energy Secretary Schlesinger, and Felix Rohatyn of Lazard Freres. These policies are explicitly designed to deindustrialize the United States, destroy the U.S. dollar as an international trading currency, and end America's role as a leading world economic force. The imposition of such policies by Britain upon Germany in 1933 through the installation of the Nazi regime and its British-tool Finance Minister Hjalmar Schacht, led directly to the degeneration of the German economy into the slave-labor concentration camp death system and World War II.

# Open Letter To Russell Long On Miller Hearings

Jan. 1, 1978

Dear Senator Long,

Although I am working on various workable alternatives, the indicated consequences of a Miller installation at head of the U.S. central banking system would be an irreparable financial and economic disaster for our nation and most of the world. My estimate to that effect is shared among the relevant leading financial circles in Europe.

There can be no punting, no compromise on this issue. The most vital interests of our nation are being placed in jeopardy. Your exercise of your authority in intensively examining, and ending this appointment will have my energetic support and that of every force I can muster and encourage to that effect.

The time has come to rip away the politenesses of jussimulation and vacillation. President Carter has spoken of the "moral equivalent of war." Now is the time to have that war, indeed: against the Miller appointment and every London-fostered threat to our nation that appointment exemplifies.

Forces centered around Lazard Brothers of London are deploying financial and economic warfare against the United States, they are working toward sabotaging our industry, attempting to wreck the possibilities of a Middle East peace, and are using their agents of influence within the Warsaw Pact command to incite those forces into a global deployment of their influences against us. Lazard's effort and policies are aided by forces grouped around the Royal Institute of International Affairs, the policy-formulating agency for Britain's MI-5 and MI-6 secret intelligence services. The gangster forces of British secret intelligence are currently deploying terrorist forces under their control as well as insurgent movements of their creation in various parts of the world.

Now, let us be most clear-spoken. The time for veiled characterizations has passed. Let us name the names of the nest of British-allied snakes in our own nation's policy and intelligence establishment. Let us speak openly of the Lazard interests represented by Felix Rohatyn and his policies, and of the U.S. financial interests allied with Lazard in the effort to subvert our

nation's credit and economy to London's advantage.

You and I know the names of the Humphrey faction and the Kennedy faction in the Democratic Party. You and I know the names of the "left CIA" network around the Institute for Policy Studies. We know what Rand Corporation and Georgetown's Center for Strategic and International Studies actually are. We know what the Brookings Institution represents. We know what John Kenneth Galbraith is. We also know what the Max Fisher "liberal" faction in the Republican Party represents. We know who that imitation Oxonian William F. Buckley actually is. We know the Fabian influence around George Meany.

We know the pedigree and policy profiles of Zbigniew Brzezinski, Henry Kissinger (of the London Tavistock Institute), Werner M. Blumenthal, Fritz Mondale, Stuart Eisenstat, James R. Schlesinger, Bob Bergland, and so forth. We know that, on each crucial issue, the policy and influence they represent is in agreement with the ambitions of Lazard and the Royal Institute, and, in that way, they are viciously and fundamentally antagonistic to every vital interest of our nation.

Are we, the majority of Americans, so easily duped that we, the most powerful industrial nation in the world, will permit the rulers of the most bankrupt economy of the industrialized world, the United Kingdom, to plunge us into bankruptcy and loot us — even as the London *Economist* has openly announced its intention to that effect?

The majority of Americans will support the fight against these enemy forces without and within. However, as the prophet warns, "If the Trumpet shall sound an uncertain note, who shall heed the call to battle?" It is essential in all wars to name the enemy and the issue of the battle; otherwise, we can not mobilize our forces to win. Now is the time to speak the truth directly, without equivocation or vacillation. If leaders sensible of our nation's vital interests do that, the majority of the population will rise up to support the necessary actions.

Let us join our forces to fight this good fight.

Sincerely,  
Lyndon H. LaRouche, Jr.  
Chairman, U.S. Labor Party

# Where Miller Got His Anti-Industry Outlook

A scant two weeks after Jimmy Carter's White House victory, Lazard Freres financier Felix Rohatyn, then chairman of New York City's Municipal Assistance Corporation, gathered the most trustworthy adherents of the City of London's fascist proposals for the U.S. economy in Saratoga Springs, New York to plot the economic policy of the new Administration. "Felix the Fixer's" conference, hastily assembled under the rubric of the Coalition of Northeastern Governors (Coneg), laid out a program for mass slave labor, hyperinflationary "development" boondoggles, and a national system of labor regulation and deployment, all draped in a rhetoric of regional and national autarky.

George William Miller, Carter's nominee to replace Federal Reserve Chairman Arthur Burns, was the *only* corporate representative at the Coneg meeting. Other industrialists, oil men, and many regional Democratic and Republican Party officials were barred by an armed guard of State Troopers at the hotel where it was convened.

Miller was one of the formulators of Coneg's final proposals. Those proposals are the "philosophy" which Miller will be bringing to the post of Federal Reserve Chairman — a philosophy of Tory treason to the U.S. Constitution's mandate for the continued industrial and agricultural progress of the nation.

## *Revive Hjalmar Schacht*

Like Miller himself, Coneg was dominated by Felix Rohatyn, who presented the cornerstone proposal which the conference would later accept: the Regional Energy Development Corporation (REDC), a plan to float and refloat financial paper through "energy development" projects throughout the region. In form and content, Rohatyn's REDC is a regional version of the "Mefo Bill" scheme developed by Nazi Finance Minister Hjalmar Schacht during the Hitler-led German "recovery period" which ended in World War II.

The plan has nothing to do with energy development. (As Rohatyn himself said at the conference, "If we focus it around energy, use energy as the lead-in, we can avoid the political nervousness we would create if we called it a Reconstruction Finance Corporation.") REDC merely allows bankrupt London and lower Manhattan financial institutions to continue to issue credit to Northeast states and municipalities to be paid back — as in Schacht's plan — not through actual industrial recovery, but through an ever-larger number of slave-labor projects. New York Governor Hugh Carey was clear on this conference workshop on REDC: "we need to put up equity for job-intensive rather than energy-intensive businesses. We need more labor-intensive work; and to move away from high energy usage."

The REDC timetable would mirror Schacht's. First would come the top-down control of the workforce and business. The federal and state welfare and unemployment insurance bureaucracy must be made to "operate more efficiently," in the words of a Coneg proposal: food stamps, social security, employment insurance and welfare payments would be eliminated and "rationalized" in favor of a closely monitored mass pool of deployable labor and a second pool of "unemployables." At the same time, REDC would create a new Hitler Youth, a "Youth Services Corp," which could be pitted against higher paid unionized workers. ("Provision could also be made for hiring out these young people on modest fee contracts to private entrepreneurs," says a Coneg proposal.)

Then, these workers can be set to work paying off REDC loans in the new Auschwitzes. Urban ghettos would be razed and their populations — the first to be relocated of America's entire urban population, according to Coneg participants — sent to "industrial parks" to be built in the outskirts.

## *End of Energy Growth*

In these "parks," workers will labor on energy projects. Not for energy growth... for *energy reduction* and the destruction of America's ability to make an industrial recovery in the future. Instead of modernizing steel plants or working to increase America's high-technology export capability, the nation's workforce is to slave over "new products for energy conservation" and the "development of under-used sources of power" like highly inefficient solar and wind. Coneg plans to throw U.S. industry on the garbage heap and have American workers scavenge for what's left: "REDC will stimulate and finance efforts to create...an industry for the recovery and utilization of materials from solid waste."

Coneg participants were also quite clear about how they would develop the political environment to implement their schemes. Presaging Energy Secretary Schlesinger's plans to engineer a "Winter Energy Emergency" in order to deindustrialize the nation by diktat, Coneg was dominated by discussion of the need for a new oil embargo or some other disaster: "if there isn't an OPEC price hike, Carter should limit U.S. imports of oil anyway," one conference participant said. "We have to go through that suffering to make the painful decisions we have to."

And that statement suggests what G.W. Miller's philosophy would be if he is allowed to chair the Fed: the painful sacrifice of U.S. industry to the City of London monetarists.

## European Press On Miller Appointment

Les Echos, French financial daily, Dec. 30: "The U.S. President has appointed an advocate of growth, Mr. Miller, as chairman of the Federal Reserve," by Tristan Doelnitz:

... (Miller's appointment) has been warmly welcomed by the spokesmen of the business community, including Mr. Heath Larry, chairman of the National Association of Manufacturers, Chase Manhattan Bank President David Rockefeller, as well as by the influential chairman of the House Banking Committee, Henry Reuss.

... William Miller is considered as a centrist as far as economic and monetary ideas are concerned, halfway between Arthur Burns' conservatism and Treasury Secretary Michael Blumenthal's liberalism... He is referred to as a 'moderate conservative' who is however aware of social problems...

... Mr. Miller is president of the prestigious Conference Board... Now, what Jimmy Carter badly needed was to recover the deeply shattered confidence of the 'big business'...

Mr. Miller has the opportunity of becoming (President Carter's) closest collaborator in the economic field. In this respect, he could take the seat left vacant by Bert Lance...

Le Monde, Dec. 30, article bylined by Washington correspondent Michel Tatu:

... According to the *Washington Post* the choice of Miller is largely due to Vice President Mondale who, with the agreement of Mr. Carter, has set to himself two objectives: Burns's successor was to be a businessman, but also a man with "a social conscience." Now, in his capacity of chairman of the National Alliance of Businessmen Mr. Miller supervised a summer job program for youth. In the 1960s he was also a member of a commission for equality in employment opportunities... Over the last year Mr. Miller has come out in favor of a relaunching of the economy and of tax deductions for corporations...

Therefore we can expect him to be more "laxist" than Mr. Burns...

... Mr. Burns' departure is nonetheless regretted by some. As DuPont chairman Mr. Shapiro said: "Given the fact that the President decided not to reappoint Mr. Burns as chairman of the Fed, we applaud the choice of Mr. Miller."

Financial Times, London, "Dollar falls in reaction to Fed Change" by Michael Blandon Dec. 30:

The main fall in the dollar had taken place overnight in New and Far East tradings. The markets were concerned over the departure of Dr. Burns, regarded as the main bulwark of strict monetary and fiscal policy in the U.S.

His successor, chief executive of the Textron conglomerate, has little banking experience and is little known in exchange market circles. International bankers in London, however, indicated confidence in his appointment.

Financial Times, London, "Challenges for the new man at the Fed" by David Bell, in Washington, Dec. 30:

For Mr. Carter, who sets great store by symbols, Mr. Miller's greatest asset is no doubt that he is acceptable, and has already been warmly received by the powerful group within the Democratic Party that so opposed Dr. Burns. This group — congressmen, labour and black — has lately been very restive and would never have forgiven the President if he had reappointed Dr. Burns or chosen someone else in his image.

The Times, London, "Widespread welcome for the new Fed chief" from David Cross, Washington, Dec. 30:

Mr. Miller tends to suggest he will be more liberal. In a speech in Pittsburgh last January he said he supported a broad new economic stimulus programme to create more jobs, asserting that this need not hamper the continuing fight against inflation.

He also suggested the government should consider preparing "selective" government controls on the economy as "acceptable medicine" when "mushrooms of inflation" popped up. And he supported new tax cuts for industry.

Die Welt, Hamburg, Jan. 3:

An article by *Die Welt's* Washington correspondent, Horst Siebert, reports that "resistance to Miller is still strong," and that Wall Street does not like Miller at all.

### NYT Gloats:

## Miller Appointment A Blumenthal Victory

For the *New York Times* the big story was not *why* President Carter nominated monetarist Textron Corporation head, G. William Miller as chairman of the Federal Reserve but *who* influenced that decision. In its Dec. 20 front-page article hailing Miller's appointment, the *Times* down-played Miller's corporate background in favor of emphasizing his support: "Although Dr. Burns wanted to stay on... the President was under strong pressure from Vice-President Mondale, Treasury Secretary Blumenthal.. to bring new leadership to the central bank."

On Dec. 30 the *Times* could not restrain itself; a second front-page article's headline gloated: "Blumenthal Victor in Miller Choice." The article focused on the alliance between Blumenthal and Mondale that influenced Carter's selection of Miller.

Just what is it that the *Times* is so happy about, was hinted at in the paper's profile of Miller buried in the business section Dec. 29. Designating him a "decisive corporate humanist," the article reports his long-term concern has been "the danger of American business leaders seeking to maximize profits at the expense of human and spiritual values." In keeping Miller's "non-materialist" bent, the *Times* reports that Miller has retained a 30-year interest in Maoist China, the bulwark of primitive technology and labor-intensive methods of production.

Frankfurter Allgemeine Zeitung, Frankfurt, major economic editorial "England - A Low Wage Country - A Lot of Delays, Little Productivity" written from London by correspondent Jochen Rudolph, Jan. 3:

Occasionally, German employers roll their eyes when they hear about the lower wages in England. And then others have become seemingly well acquainted about it and have already begun considering whether they should not set up a branch office or a branch firm somewhere in the British Isles.

One can start with the situation that English wages and salaries are, on the average, only half those in Germany, taking as a basis an exchange rate of about 4 deutschmarks for the English pound. ...This means that the English worker can buy 60 percent of what his German colleague can buy with his wages.

If one were to fixate on these figures alone, then he would have to wonder, why German markets are still not flooded with English goods, and why German industry has not yet been hopelessly boxed out of the export countries.... The explanation is that German industry produces more per employee and more per time unit than its competition.... The decisive difference lies in the use of machines and appliances as well as in the rational distribution of labor power. For a long time, the Federal Republic has been forming far more capital than England through higher profits for employers and by individual savings. In the vast majority of branches of industry, it has more modern machines and plants. It thrives with relatively less labor power, because individual workers can be used for more activities than in England....

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## Whatever Happened To The Clinch River Breeder?

As recently as December 1977, U.S. Secretary of Energy James Schlesinger has reiterated standing Carter Administration policy that no matter what the will of Congress, the Clinch River liquid metal fast fission breeder demonstration project, the so-called plutonium breeder, "will never be built."

As the *Baltimore Sun* pointed out in its lead editorial

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### ENERGY

Jan. 4, entitled "Nuclear Policy Under a Cloud," no less than seven major nations have rebuffed the nuclear non-proliferation policies under which Schlesinger and his neo-Malthusian allies seek to justify their commitment to kill the breeder. The *Sun* also correctly reports that the ostensible reason for non-proliferation, the effort to halt the spread of nuclear weapons technology, does not hold water: "The technology of bomb-making is so well-known that there is virtually no way of stopping it through the route Mr. Carter chose."

According to Capitol Hill sources close to those senators opposing the restrictive conditions of the Administration-supported Percy-Glenn non-proliferation bill expected to come up on the Senate floor this spring, Carter's statements to Indian Prime Minister Desai, constitute tacit admission that passage of the legislation is intended to make export of U.S. nuclear technology more difficult, something that Schlesinger et al. have steadfastly denied up to this point. The sources expect the Percy-Glenn bill to encounter increased resistance on that account.

Meanwhile, however, Congress has failed to mount an effort to override Carter's veto of the budget authorization bill containing the go-ahead for continued funding of the Clinch River project; in fact, the Clinch River authorization was dropped from the bill to secure

Carter's signature.

Although this does not foreclose the possibility of continued funding for Clinch River, it is being taken as a sign of weakness of pro-breeder forces. In fact, the current "limbo" status of Clinch River is symbolic of the failure of U.S. pronuclear forces so far to consolidate the international strategic victory which has been all but handed to them by their allies in Europe, the Middle East and Latin America—a victory highlighted by the 70,000-person labor-industry demonstration on behalf of nuclear development at Dortmund, West Germany last fall.

The brief history of the Clinch River project which follows illustrates both the tenacity with which Congress, backed by U.S. industry and labor, has tried to keep the project alive, but also the essentially defensive "foxhole mentality" which has hampered its efforts.

The Clinch River project originated during the Nixon Administration in the early 1970s, as an explicit response to the perceived approaching fossil fuels crisis. At that time, the U.S. objective was to secure commercialization of the breeder by the late 1980s, and plans were made for a demonstration project at Clinch River, Tenn. at a site owned by the Tennessee Valley Authority. Public utilities, the nuclear industry, and the Federal government have shared funding for the project, which to this point has consisted of theoretical, engineering, and design work. Groundbreaking for construction of the plant was scheduled to begin this year, with the demonstration project to become operational by 1983.

The Carter Administration's decision to kill the project, announced last spring, relied on two arguments. The first was non-proliferation; yet at the time the decision was announced, the Soviet Union had possessed a working demonstration plutonium breeder plant for four years, France for three years, and other nations for shorter periods. Unless one is a firm believer in locking the barn door after the horse is stolen, the non-proliferation argument must appear utterly spurious.

The second argument was that the project had not proved "cost-effective." Here again, every major nation with the plutonium breeder capability had determined to the contrary, no doubt influenced by the fact that, as the *Sun* editorial points out, "the world is too energy hungry to forswear a fuel, plutonium, that multiplies as it burns." Cost overruns on the Clinch River project are mainly attributable to licensing delays and Congressional cuts in funding (nearly 30 percent in fiscal 1976; for example) which have produced a delay in estimated completion time for the project of 15 months, during a period when inflation has hardly been absent.

When these arguments proved insufficient, Schlesinger et al. added a third: that the U.S. should not "move so hastily" to a plutonium breeder because alternate breeder cycles, the thorium breeder for example, were the subject of heavy investment. The thorium breeder, however, is far less efficient than the plutonium breeder, producing enough fuel for a new reactor only once every 300 years. Moreover, industry sources report that government funding for all alternate breeder development is now scheduled for major new cutbacks by Schlesinger's Energy Department.

Unfortunately, Congressional opponents of the Administration have largely confined themselves to answering these arguments "on their merits," instead of sharply and publicly questioning the patriotism of James Schlesinger. It is clear enough that Administration opposition to the breeder is based wholly in a calculated attempt to rob the United States of a valuable advanced technology, not in accounting and environmentalist fairytales.

#### *The Fight on Capitol Hill*

Last year, the Carter Administration's budget for Clinch River was pegged at \$33 million "to terminate the project." After a year-long fight, a House-Senate conference committee approved an \$80 million author-

ization, barely enough to maintain the capability of continuing its existence; far less than the amount required to allow construction to begin. It was this authorization, which passed both Houses, which Carter vetoed.

Probreeder forces were aware, however, that since the Clinch River project was originally established by a separate act of Congress years ago, an act of Congress is required to terminate the program. A General Accounting Office report supports this position.

Thus they maintain that the authorization bill is not necessary to fund the breeder; an \$80 million appropriation contained in a supplemental appropriations bill which has not yet reached the floor can be passed for that purpose.

In an effort to judo the Administration, the probreeder Congressmen attached the breeder appropriation to the appropriations bill which contained the termination funds for the B-1 bomber, calculating that if Carter vetoed this bill, B-1 funding would revert to its original higher level and that Carter might be unwilling to face that prospect. Since that time, however, the House has apparently decided to vote not to terminate the B-1. If the Senate agrees, the bill which arrives on Carter's desk will contain two appropriations objectionable to the Administration, and is a sure candidate for another presidential veto.

Even if a veto is subsequently overridden, the Administration can defer or rescind funds unilaterally, subject to an override by a majority vote in one Congressional chamber.

Thus, with the prospect, at best, of further parliamentary battles ahead and more costly delays, the nuclear industry and utility companies are considering lawsuits against the government to regain the millions they have invested in the project, but appear no nearer to a political mass mobilization of the U.S. population behind nuclear development.

— Don Baier



# Land Bubble Bursts — Will Agriculture Economy Follow?

Recent reports from the Federal Reserve Banks of Chicago and Kansas City indicate that farmland values in sections of the nation's cash grain and livestock belts cracked and began heading down during the third quarter of this year after more than 15 years of spiralling upward.

The break in land values puts a time charge to the entire farm economy and its highly fragile credit structure. Over the past several years in particular, with world trade and productivity undermined and new export markets virtually embargoed by the succession of monetary crisis and repeated doses of the inflation-and-austerity "cure," inflated land values have served as the dubious linchpin of the American farm economy. In recent years, the land value bubble has been the overriding source of nominal equity against which cash-short producers have "refinanced" old, unpayable debts and secured new credit to continue production.

With the bottom falling out of this arrangement, the serious and persisting cash-flow crisis in the farm sector threatens to devolve into an epidemic of bankruptcies and production collapse, whose consequences would by no means be limited to the confines of the farm belt. The collapse of the 1920s land boom, the only comparable previous such "boom," and subsequent prolonged depression in the American farm sector, it will be remembered, both foreshadowed and greatly intensified the succeeding general depression calamity.

Estimates of the downturn vary by region, from 1 percent in parts of the north central region to a drastic 10 percent in western Kansas and Nebraska, and the development is properly causing a stir among agricultural economists, bankers, policymakers, producers and agribusinessmen.

But despite the fact that Kansas City Reserve economist Marvin Duncan hastened to assure himself and William Robbins of the *New York Times* on Nov. 20 that the downturn is merely a "pause," the proverbial cat is out of the bag. As Chicago Reserve Bank economist Donald Langford had bluntly stated in his Oct. 28 newsletter, the fourth quarter 1.2 percent decline in land values registered in the Seventh Federal Reserve District "ends the boom of recent years" — the doubling of farmland prices, on average, since 1972. Even the cautious U.S. Department of Agriculture now quietly admits, in its November *Agricultural Finance Outlook*, that future increases in farmland values will "be very moderate, even declining in some states," and highlights this as among the determining features of the agricultural economy's poor financial prognosis.

## *A Financial Tinderbox*

After several years of steep rises, farm income levels dropped sharply in 1973, characteristically foreshadowing the 1974 abrupt general collapse of the post-1971 inflationary "boom." The welcome interim jump in farm incomes, given impetus by the Nixon-Butz "full production" farm policy in conjunction with the 1972 Soviet grain deal and implied prospects for expanded U.S.-East Bloc agricultural trade, had in the meantime given farm producers the long-awaited chance to expand capital investment in land, machinery, irrigation, and other capital formation to achieve greater economies of scale and overall output efficiencies. This trend was in large part reflected in the doubling of farm debt from 1970 to 1976 to \$102 billion, a development which under conditions of world economic growth would reflect a process of vigorous expansion of investments crucial to profitable and necessary leaps in farm productivity.

But, as the 1973 farm income collapse indicated, earlier broad expectations of a growing American and world economy were illusory. Instead, with trade outlets and consumption levels constricted worldwide by the international monetary mess, and with inflation and hyperinflationary austerity bloating producer costs, the American farm sector was pushed into crisis. The New York bank-City of London axis behind the International Monetary Fund's imposition of import austerity requirements on indebted developing sector nations has placed a de facto embargo on U.S. farm export expansion. As former Agriculture Department official Richard Bell recently emphasized, it is precisely the food-short and industrial-development hungry nations of the Third World that are the key to U.S. farm export expansion.

Predictably, as export markets stagnated generally so-called "surpluses" accumulated, and farm prices and incomes started sliding as soon as the blossom of the Soviet grain deal was off the rose. Over the past four years farm income has declined sharply. In September, 1977 the USDA revised farm income statistics for 1975 and 1976 downward. At \$20 billion, 1976 net farm income registered 18 percent below the revised 1975 level, and fully 40 percent below the record 1973 level. Moreover, real net farm income — deflated to reflect "purchasing power" in 1967 dollars — for 1976 totaled a mere \$11.4 billion, a 55 percent drop from 1973 levels and among the lowest since the Great Depression. Latest USDA preliminary estimates for 1977 net farm income stand at \$19.8 billion, a further 1 percent drop from 1976. The USDA and other competent observers acknowledge that rising operating expenses, including the fictitious

carrying costs associated with the large debt load, will more than offset any stop-gap improvements in cash receipts resulting from support program adjustments contained in the 1977 Farm Bill.

These are the broad parameters of today's farm crisis — unquestionably the worst cash-flow crisis since the 1920s and 1930s. In April, 1977 the USDA finally made the crisis official with an "extraordinary" survey of credit conditions in a selected nine-state area of the nation's plains and western "breadbasket." The USDA found that at that time fully one-third of the area's producers were in severe repayment difficulty with their loans, and that forced cutbacks or liquidations were on the books for more than 10 percent of the area's 685,000 producers. Since last spring's cash-flow difficulties, then relatively localized in the country's wheat and livestock sectors, and aggravated in areas of severe drought, spread into the north central corn belt region, as corn prices followed wheat prices downhill, and to the southwest. By late-summer, monthly distress signals issuing from the Kansas City Federal Reserve District were joined by similar warnings from the Minneapolis and Dallas Federal Reserve Districts.

By Nov. 4 the Chicago Federal Reserve Bank had announced that agricultural credit conditions among banks in the Seventh District, covering the corn belt states of Illinois, Iowa, Indiana, as well as Michigan and parts of Wisconsin, had "deteriorated substantially" during the third quarter, and pointedly noted "the absence of any near-term prospects" for improvements in the situation. The American Bankers Association's November Special Report on agricultural credit conditions nationally concurred in the expectation of further drastic deterioration in the corn belt and continued steady worsening in the plains and west.

In short, since 1973 conditions in the nation's farm sector have unravelled steadily to the present point of a classic "illiquidity" crisis which threatens not only the fragile farm credit structure but production itself. Mounting producers repayment difficulties and concurrent intensified demand for additional credit is occurring simultaneously and acting to intensify the shortage of lendable funds throughout the regional commercial banking network — which depend on farm producer deposits for their cash and credit base.

#### Enter the Land Value "Buffer"

Under these conditions, producers have been increasingly forced to rely on their "equity" to stave off near-term debt collectors and maintain a flow of production credit. With operating cash-flow strangled, and product inventories devalued, real estate was the obvious candidate for hock — especially since the seemingly irreversible land boom had doubled land values over five short years since 1972, thus increasing producer reliance on the farm credit system to meet the mounting credit needs, a marked trend over the past five years, complemented by a trend toward greater reliance on real estate based credit, and that increasingly for "refinancing" as opposed to new capital formation. Along with this there has been a precipitous increase in nonproducer speculation in the farm real estate market.

As the cash-flow crisis deepened, farm policy pundits

and financial analysts clucked and chirped that the farm sector's \$495 billion in real estate assets would, in the form of collateral for refinancing and new loans, provide a durable "buffer" against the impact of adverse price and income movements.

That this has in fact been the operative principle behind the past year's farm credit developments is apparent. The USDA's November 1977 *Agricultural Finance Outlook* documents both the surge in farm real estate debt outstanding — quite apart from the rate of land transfers — as well as indicating the extent to which it is serving to "refinance" old debts, rather than underwrite capital formation trends which have accelerated markedly over the past two years.

Farm real estate debt, estimated to reach \$64.5 billion by January 1978, is up 14 percent over 1977. This rate of increase is compared to an 11 percent jump in 1977 over 1976, and a 10 percent increase in 1976 over 1975. At the same time, the rate of increase of nonreal estate debt has slowed. At an estimated \$52 billion as of January 1978, total nonreal estate debt increased 14.8 percent over 1977, compared to a 14.4 percent jump over 1976, and a 12 percent increase over 1975 (see chart 1).

Significantly, in analyzing the 1977 real estate debt increase the USDA cites higher land prices, slower

Chart 1

### Total Farm Debt Outstanding (percent change)

	Real Estate	Nonreal Estate*
1973-74	15.4	15.6
74-75	12.2	9.6
75-76	10.3	11.9
76-77	10.8	14.4
77-78	14.0	14.8

\*Excluding Commodity Credit Corporation

### Farm Real Estate Debt Outstanding by Major Creditors (percent change)

	Federal Land Banks	Life Insurance Companies	Commercial Banks	Individual & others
1973-74	20.5	5.7	13.9	18.4
74-75	22.9	5.6	9.3	9.4
75-76	19.0	6.8	5.5	7.6
76-77	15.7	10.0	7.7	8.2
77-78	17.2	17.6	16.5	10.0

repayment rates brought on by declining incomes, and "a much greater than normal proportion of short-term debt being converted into loans secured by farm real estate," — together with a merely "probable" increase in the rate of transfers.

In fact, actual farm real estate acreage transferred had dropped significantly in the past two years. In the year ending March 1, 1976 23 million acres changed hands — up 15 percent from the 20 million acres transferred in 1971, but down nearly 50 percent from the 42 million acres transferred in the year ending March 1, 1974.

Suggestive of the speculative bonanza involved is the sudden and substantial reentry of insurance companies into the farm credit market in the past two years, after more than three years of reduced participation. Over 1976 life insurance company-held real estate debt outstanding leaped 10 percent, and in 1977 a startling 17.6 percent, the largest percentage increase among the major real estate lender groups. By contrast, from 1973 to 1976, the years of greatest activity in terms of actual farmland transfers, the insurance companies' outstanding farm real estate debt increased at a sluggish annual average rate of 5-6 percent.

Further, the USDA notes repeatedly that commercial banks are increasingly securing their short term debt with farm real estate loans, adding that 49 percent of the surveyed bankers reported an increase in such farm mortgage-based refinancing, and concluding that such conversions tended to boost the real estate secured loans totals and correspondingly limit the rise in nonreal estate loans. Indeed, farm real estate debt outstanding to commercial banks, while a relatively small portion of total real estate debt, jumped 16.5 percent over 1977, compared to a 6 percent average annual increase over the previous two years. At the same time, nonreal estate

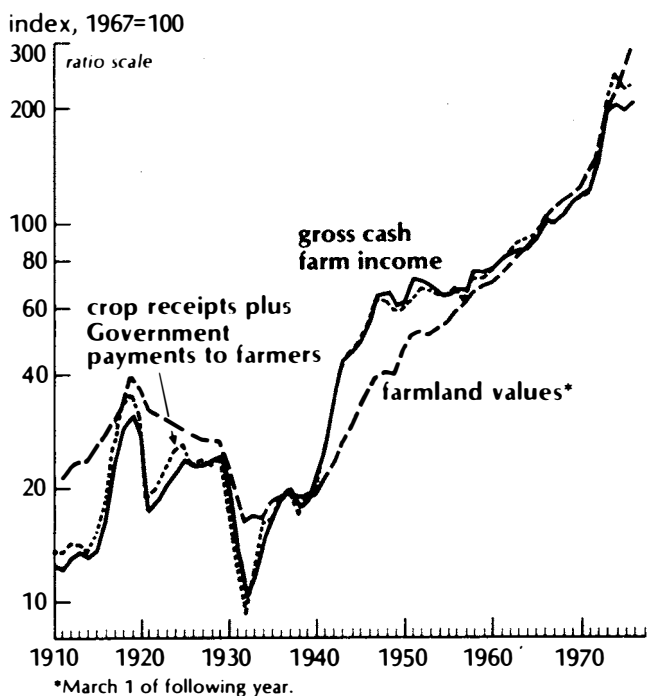
debt outstanding to commercial banks rose 10.8 percent during 1977, compared to a 15.5 percent increase over 1976, and a 10.5 percent increase over 1975. According to the USDA, this overall slowdown in the growth of nonreal estate loans for 1977 occurred despite an unusually rapid rate of increase during the first half of the year, which "leveled off" in the second half of the year (see chart 1).

#### A Bubble Built On A Bubble

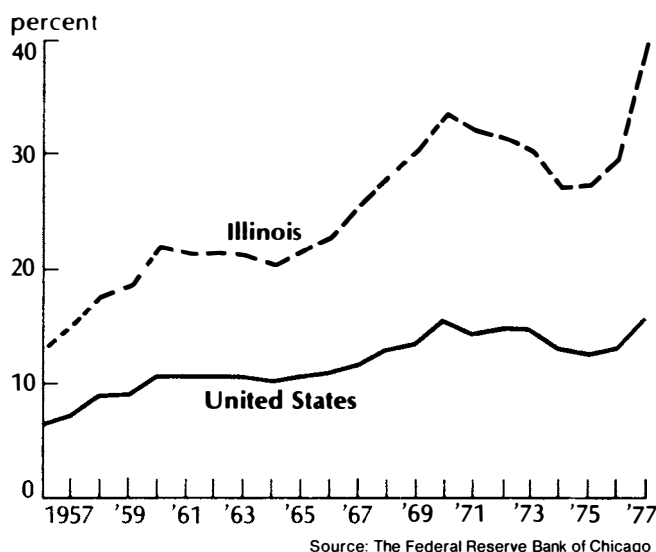
What these trends show is not the resiliency and increasing stability of the farm economy, but its dangerous vulnerability. This shift toward real estate debt financing, with its included feature of an increasing proportion of refinancing, has the effect of building a speculative time bomb into the farm economy. On the one hand, the proliferation of such fictitious accumulations demands a progressively greater portion of farm cash revenues in the form of carrying charges, at a time when the constriction of world markets holds down farm income. On the other hand, the decline in farm income and mounting cash flow problems act increasingly as a "reality principle" undermining the inflated land values that are the ultimate bank-stop to the debt accumulations. A producer who has secured a \$250,000 loan, putting up 500 acres of his farmland at the nominal 1977 value of \$500/acre as collateral, is immediately saddled with high interest and principal payments in the face of a declining rate of return, a formidable problem in itself. But this same producer will find such a relative "squeeze" turned into a veritable death-trap at the point that land values plunge 10 percent.

The post-1972 land boom turned a longer-term inflationary trend into a full-blown speculative bubble in the farmland real estate markets. Since 1953, real farmland values rose steadily while real farm income stagnated and trended lower. But by 1976 real farm income was at 1967 levels, or the tenth lowest in 40 years, while real

Receipts and Land Values



Percentage of Cash Receipts Absorbed by Interest Payments



farmland values were more than 50 percent above 1967 levels!

By all accounts, the "land boom" of 1972-1976 was accompanied by farmland purchases by producers in the relatively larger family farm category for expansion of their operations to realize the economies of scale implicit in the level of technological development — e.g., large, four-wheel drive tractors, and similar machinery. In 1976, 60 percent of all transfers were intended for use as part of another farm and only 29 percent were intended for use as a complete farm — by contrast, in 1956 only 33 percent of such transfers were used as part of another farm, while 60 percent were used as whole farms.

This is corroborated by the fact that from 1971 through 1975 the number of farm units in the \$40,000 to \$100,000 and over sales class, as a percentage of total farm units, doubled, from 8.5 percent to 16 percent. The number of farm units in the \$20,000 to \$100,000 and over category nearly doubled as a percentage of total farm units — from 20.8 percent to 36.1 percent — during the same period.

In light of the fact that the "land boom" was nonetheless an essentially speculative phenomenon, it is noteworthy that it is precisely these larger, more efficient and productive farm units that are now most immediately on the chopping block.

In fact the momentum of the land value bubble was initiated and sustained, even in the face of contrary real economic indicators, on the basis of the monetarist conceit of "ground rent." As *Feedstuffs* editor Fred Tunks put it recently, "What's happened to the price of farmland probably makes more sense to psychologists than to accountants." For the monetarists, the value of land depends not on its real wealth producing capacity, but on the bet that he can sell it to the next guy for more than he himself paid for it. In a highly inflationary period like the present, with persistent international monetary crisis and uncertainty, the non-producers who now make up 25 to 30 percent of the farm real estate market participants use that leverage to introduce a self-feeding speculative spiral in the market — otherwise known as "hedging against inflation." The producers buying land for productive expansion are relative captives to this more basic process.

He is further penalized by the fact that debt servicing requirements — that is, interest and principle payments — have increased even faster than land values! While

from 1960 to 1970 the annual principal and interest payment for an average acre of Illinois farmland, for example, rose from just over 20 percent of gross receipts expected from raising corn to a "peak" of 34 percent, by 1976 the inflation of land values and collapse of grain prices had pushed the ratio to a new high of 40 percent for that same piece of Illinois acreage — fully double the levels typically experienced during the 1960s. Under conditions of world economic and trade contraction, this trend of increase in fictitious charges acts to offset gains from the investment in expanded economies of scale, very quickly turning a dubious investment into a certain liability, and further cannibalizing the farm sector's productive resources.

In emphasizing the uniquely precarious nature of the current land boom, Gary Benjamin observed in the May-June *Federal Reserve Bank of Chicago Review* that the sustained uptrend in land values from 1953 to 1970 despite a stagnating income base was manageable largely due to the fact that, in contrast to the World War I land boom and that of recent years, the postwar boom was accompanied by a huge across-the-boards paydown in real estate debt outstanding. With new capital goods diverted to war-related manufacturing, Benjamin points out, farmers converted high wartime net incomes to debt repayment to the extent that by 1946 outstanding farm real estate debt had fallen to a 31-year low. No such paydown took place prior to or in conjunction with the 1972 boom.

Monetarist gibberish to the contrary, land values are ultimately determined by the viability and well-being of the underlying process of real production, capital formation and trade. Thus, the enormous \$495 billion in farm real estate holdings — compared to \$116 billion in total outstanding farm debt — remains a merely *nominal* asset. As the break in land values indicates, reality has now begun to unceremoniously "correct" such nominal fantasies. The break in land value appreciation will act both to shut off this avenue of producer credit, and devalue the collateral behind existing outstanding debt, sharply tightening the financial noose around the farm sector's neck. The fact that the fantastic bubble has become the basis for a pyramid of both nonproductive "refinancing" as well as necessary new operating credit, under conditions of accelerating world trade and financial collapse, sets the stage for a rerun of the 1920s farm sector collapse and worse.

—Susan Cohen

## Response To Schlesinger Blackmail:

# Mexico Breaks Off Gas Negotiations With U.S.

On Dec. 22, the Mexican national oil company, Pemex, notified the U.S. government and six U.S. companies negotiating purchase of Mexican natural gas that Mexico was withdrawing from negotiations and would not extend discussions beyond a Dec. 31 deadline. With the expiration of that deadline, the United States has lost for now not only the Mexican contracts worth one billion cubic feet per day in 1979 and rising to two billion in 1981. The U.S. also loses \$340 million in exports financed by an Eximbank loan which would be used by Mexico to build a pipeline to transport the gas to the United States.

In its Dec. 22 statement, Pemex emphasized that it was taking its action on the express orders of Mexican President Jose Lopez Portillo, following a high-level meeting between Mexican officials and U.S. Energy Secretary Schlesinger in Washington. *Executive Intelligence Review* has received reliable information that at this meeting Schlesinger threatened Mexico with a crackdown on Mexican "illegals" in the U.S. unless Mexico stepped back from its asking price of \$2.60 per thousand cubic feet and gas.

In this only public statement on the matter, Schlesinger told newsmen Dec. 29 that "Under no circumstances should we establish a price that would be above the price paid the the Canadians," who currently receive \$2.16 per thousand cubic feet, but who will receive a substantially higher price by 1979, the target date of Mexican gas deliveries. The Secretary expressed his confidence that his hardline pressure on Mexico would work because Mexico had no other markets near at hand and "sooner or later" would have to sell to its northern neighbor.

Pemex, however, announced that it will build its pipeline only as far as the northern industrial city of Monterrey, 100 miles south of the U.S. border. The pipeline will link together existing lines into a national grid of great benefit to Mexican industry and allow greater exports of crude oil as industries switch from oil to gas fuels.

Nor is Mexico leaving the political implications of Schlesinger's blackmail attempt unanswered. Manuel Buendia, columnist for the major Mexican daily *El Sol* who often reflects the viewpoint of government officials, initiated a series of articles Jan. 2 which warned that the Schlesinger sabotage of the Mexican gas deal was only part of a larger program of destabilization against Mexico. Wrote Buendia: "The fierce U.S. pressure exerted in the natural gas negotiations and the Eximbank credit show that the relations between the two countries have fallen rapidly to their lowest point in

many years. The arrogant language employed by some officials, like Energy Secretary James Schlesinger, presage the intensification of this 'Cold War' tactic, and in that context the CIA can be expected to play a role."

Observers in Mexico City were quick to recognize that the Buendia charges constituted a warning to Vice President Mondale, due to visit Mexico Jan. 20 and 21, not to continue the confrontationist posture adopted by Schlesinger.

Sally Shelton, deputy assistant Secretary of State for Latin American Affairs, stated yesterday that Mondale will primarily discuss energy issues in Mexico, but also illegal immigration ... "if the Mexicans let us." A top Mexican-American spokesman in Washington D.C., school board official Frank Schaeffer Corona, charged Jan. 3 that there were "strong indications" that Schlesinger would withdraw his opposition to Mexico's gas price if Mexico adopted a "public commitment to support the Carter Plan" on illegals, announced in August 1977. So far, Mexico has expressed only harsh criticism of the plan, which would close off jobs in the U.S. to large numbers of Mexican workers.

### *The Showdown*

As documented previously in *Executive Intelligence Review* (see Vol. IV, Nos. 44, 45, and 50), Schlesinger, together with Sen. Adlai Stevenson III, began efforts to derail the Mexico gas negotiations in October. Despite further, direct intervention in late November, negotiations between the U.S. gas companies and Pemex were completed late in the week of Dec. 12, and a contract was ready to be signed. Mexico's pricing mechanism — yielding a current \$2.60 per Mcf — had been accepted by gas companies as early as August and was not a point of negotiation thereafter.

Schlesinger moved quickly. He summoned Mexican Foreign Minister Santiago Roel and Pemex director-general Jorge Diaz Serrano to Washington for a hurriedly arranged face-to-face meeting Dec. 21. It was at this meeting that, according to high-level sources, Schlesinger placed pressure on Mexico in terms of other outstanding bilateral issues such as the illegals. The Mexican delegation also met with Secretary of State Vance, Labor Secretary Marshall, Vice President Mondale and Sen. Edward Kennedy. They apparently heard nothing in these other meetings which changed their evaluation of the meeting with Schlesinger. Within hours of their return to Mexico, President Lopez Portillo instructed Pemex to announce the breakdown in negotiations.

### *Backing for Lopez Portillo*

Nationalist forces in Mexico immediately rallied to support Lopez Portillo's decision. The next day, the leaders of the mineworkers and the telephone workers issued statements of support, as did many members of the Mexican Congress. Over the succeeding 10 days, numerous Mexico City press praised the decision and denounced Schlesinger for "open political blackmail."

Throughout Mexico there is an awareness that this confrontation brings to the fore the same issues as in the historic 1938 showdown when nationalist president Lazaro Cardenas expropriated all foreign-owned oil companies in the country.

### *Gas Companies: Backing Off*

The six U.S. gas companies involved — Tenneco, Texas Eastern, Transcontinental, Florida Gas, Southern Natural Resources, and El Paso — privately indicated outrage at Schlesinger's sabotage of the contract, and sent off a telegram to Schlesinger requesting an urgent meeting to hear his reasons first hand. The text of this telegram and a previous request for a meeting were made available to *EIR* by sources close to the gas companies and are reproduced below.

However, the gas companies have so far refused to make Schlesinger's role a public issue. One gas company official, whose firm is also involved in pending liquid natural gas import decisions which Schlesinger's office is expected to make in the near future, noted that it would be "poor form" to launch a public outcry about the sabotage of U.S. energy supplies and exports at this time. By "playing within Schlesinger's rules," however, the companies actually weaken their capability to tackle Schlesinger's "no-energy" policies on any front, and de facto leave Mexico at the mercy of the broader aspects of Schlesinger's efforts to undermine U.S.-Mexico cooperation.

### **Mexican Government:**

#### **'We Remain Firm'**

*The following are excerpts of Pemex's Dec. 22 press release explaining its decision to let negotiations on natural gas exports to the U.S. expire if there was no contract by Dec. 31.*

...As of this moment, the purchasing companies and the U.S. government have not arrived at an agreement on prices and payment conditions for Mexican gas in line with the terms which Petroleos Mexicanos had previously indicated. The Mexican government, under express instructions of the President of the Republic, Jose Lopez Portillo, firmly maintains the position of not reducing the price of the gas. Keeping the principle of nonintervention in mind, so that the parties in the U.S. can freely come to a solution, (the Mexican government) has decided not to renew the Memorandum of Intentions which expires Dec. 31 of the current year and was expedited by Petroleos Mexicanos for the purchasing companies.

In consequence, and given the importance which the construction of the main line of the National System of Gas Distribution has for Mexico, Petroleos Mexicanos

will continue its construction, without including in this stage the compression stations and the extension from San Fernando to Reynosa, Tamaulipas (at the U.S. border—ed.) for gas export, thus reducing the cost from 23 billion to 11.5 billion pesos (approximately \$1.0 billion to \$500 million — ed.).

As has been duly communicated to the country, if the price agreed upon between the U.S. government and the six purchasing companies does not accord with the terms and conditions proposed by Petroleos Mexicanos, instead of exporting the expected surpluses of natural gas, these volumes will be used in Mexico through the new mainline gas pipeline, and an equivalent amount of fuel and other hydrocarbons will be freed for export.

For its part, the Eximbank offer of a \$340 million credit, conditioned on the export of natural gas to the U.S. which at this time has not been arranged, will be replaced with other offers received from the countries which are supplying the equipment and materials for the gas pipeline, such as West Germany, Italy, France and Japan.

It is timely to note that Petroleos Mexicanos yesterday announced the arrival of the freighter Pananassa at the port of Coatzacoalcos, Veracruz, with the first shipment of 48-inch steel tubing from Japan.

Finally, Mexico has reiterated its interest in selling natural gas to the U.S., whenever the officials and American buyers agree to the price and terms stipulated by Petroleos Mexicanos.

### **U.S. Gas Companies Attack Schlesinger**

*The following is the text of two telegrams to James Schlesinger available to this news service by sources close to the six U.S. gas companies involved in negotiations to import Mexican natural gas by pipeline into the U.S.*

Dec. 27, 1977

On Aug. 3, 1977, the six undersigned United States natural gas pipeline companies signed a memorandum of intentions with Pemex agreeing to negotiate a definitive contract to purchase up to two billion cubic feet of natural gas per day at a price equivalent to the wholesale price of number two fuel oil in the New York harbor. Within the last few days, the six U.S. companies have been advised by the Mexican government officials that the memorandum of intentions will be allowed to expire Dec. 31, 1977 and will not be renewed because of opposition expressed by you (Schlesinger — ed.) to this project in meetings in Washington last week.

Because of the grave concern of the undersigned that this promising new source of gas supply may be denied U.S. consumers and inasmuch as the memorandum of intentions between the six undersigned companies and Pemex expires Dec. 31, 1977, we urgently request a meeting with you at the earliest possible time so that we might learn first hand the nature of your opposition.

This supplements a telegram to you of Dec. 22, 1977 from Jack Ray, president of Tennessee Gas Transmission Company.

Dec. 22, 1977

Pemex has broken off contract negotiations in our efforts to purchase natural gas from Mexico. Further, they have stated that they will not extend or renew the letter of intent which expires at year end. The reason given for their action on their part was that both the (U.S.) State Department and the (U.S.) Department of Energy have told them unequivocally that the price

negotiated with six gas purchases is unacceptable and will not be approved.

This is indeed an unfortunate turn of events. I have requested a meeting with Dr. Schlesinger or his staff to discuss the possibility of revising the project although the Mexicans were quite firm in rejecting my request for further consideration.

(signed)  
Jack Ray

## U.S. Utilities Journal Calls For Fast Breeder, Fusion

*The EPRI Journal, the official publication of the Electric Power Research Institute (EPRI) published this editorial in its most recent issue. EPRI is the private research arm of the nation's electric utilities and funds basic research into technologies for electric power production. The signed editorial is written by R.E. Balzhiser, director of the EPRI Fossil Fuel and Advanced Systems Division.*

While Nero fiddled, Rome burned — and so it may be with society as we know it today — Washington fiddles over control versus deregulation, tax incentives versus taxes, and so it goes. While there is ample need for concern over energy supply in the next decade or two, it is equally imperative we recognize that as of now we have no option we are confident will be deployable in sufficient quantity to meet United States needs as early as the year 2000.

EPRI analyses identify the need for significant contributions early in the next century from new technologies, even given significantly reduced demand growth as a result of conservation. With lead times of 10-15 years required for new plants utilizing commercialized technologies, one should quickly recognize that utility planners will be making decisions in the next decade on what they must order to meet needs in the year 2000.

Coal and LWR power plants appear the only options, but neither is assured. Resource availability and/or environmental problems could limit the extent of either's contribution. Uncertainties associated with both are simply too great for us to be sure that either will be available to the extent required.

\*Of the so-called long-term options, only the breeder and fusion appear capable of meeting the nation's needs on the scale and with the geographic deployment flexibility required. To be sure, each has its potential liabilities as well, but these *do not include resource limitations*. While other difficulties, hopefully, can be engineered around, an inadequate resource base cannot.

\*My purpose here is not to argue the case for the breeder as the earliest alternative to coal and LWR; that fact is not disputed among knowledgeable energy experts. It is rather that the EPRI analysis concludes that

even with coal, LWR, and the breeder, we will begin experiencing generation shortages early in the next century. Simple wisdom requires that we not only move aggressively with breeder technology development but also maintain a concerted effort to harness the potential of fusion. With the many uncertainties relating to resources, environmental impacts, and technology, it seems imperative that we do not depend entirely on one or even two long-term options. Diversity is essential, and fusion clearly offers the potential of another option; in the more distant future, it is perhaps the ultimate option.

My conviction reflects the rapid scientific progress that has been made in fusion research in recent years — leading, I believe, to what will be a cascading of results over the next 5 years. But these results will represent only the first milestone, the so-called scientific breakeven. Even more important is the recognition of the enormous technological barriers that must yet be overcome before fusion power can seriously be considered by energy suppliers. The time and cost required to resolve these challenges are substantial; let's not deceive ourselves in that respect.

Demonstration-scale projects are likely still 20-25 years away. The ultimate fusion option, a neutronless fuel, is undoubtedly further away, but the incentive here is so large that we simply cannot ignore it, particularly with the ray of light that has emerged in this area in EPRI studies over the past year. We must recognize that even after more than 25 years of research, fusion is still an infant. We must avoid prematurely foreclosing different approaches that could ultimately prove most attractive to the user and yet initiate development of an applied thrust that begins to provide the engineering design base for power-producing systems.

Fusion lacks a Rickover or a mission with the popular appeal of the space program. For this reason it is entering a precarious stage within the federal R&D program. It is too long-term for today's politicians and too costly, risky, and long-term to survive normal discounting practices, even in the government's economic analyses. Utilities, the principal users eventually, are so preoccupied with current problems and so unfamiliar with fusion's status and uniqueness that as an

industry they have largely ignored it to date. True, some utilities have actually supported fusion work and EPRI has an active program in this area, but what is needed is industrywide recognition that fusion is a must sometime in the next century, perhaps earlier than it is now possible to achieve, even with an all-out effort. Fusion requires both the support and the direction of utilities as it enters the technology phases. User input is essential to the physics community if user criteria are to properly influence the continued research and the emerging development and power reactor phases.

Fusion is not without its potential Achilles' heel, just like each of the other alternatives, but its potential problems are fundamentally different from those that could constrain coal, LWR, and breeders. Most importantly, fusion problems are susceptible to technical resolution. Resolution will not be simple, cheap, or even assured, but the risk of not sustaining an aggressive program is simply unacceptable, given the future as I see it. To rely *solely* on the breeder as our long-term option, or to naively assume that solar can meet the nation's electricity needs, is playing Russian roulette with our children's future.

## Correction

A private nuclear industry study on the effects of the Administration's policy against nuclear technology exports predicted that the cost to the American economy was the loss of more than \$20 billion in export dollar earnings over the next five years on the projected world demand for roughly 83 gigawatts of nuclear electrical power capacity. In the *Executive Intelligence Review's* last issue (Vol. IV, No. 52), typographical errors in the *Energy* report erroneously rendered these figures as \$20 million and 83 megawatts, respectively.

The same study projected that the Administration's policy meant the loss of roughly 2,180,000 man-years of jobs over the same five-year period — not man-hours, as the article incorrectly states.



# Scientists Challenge EPA Methodology

## On Alleged Carcinogens

The first conference of the Diesel Automobile Association saw an impromptu debate between a representative of the Federal Environmental Protection Agency and scientists questioning the EPA methodology of merely searching out and prohibiting alleged carcinogens in the environment. This methodology has meant major changes and major increased costs in many industries over the last several years.

Held in New York City Nov. 28, the Association conference hosted representatives from major diesel engine manufacturers in the United States, France, West Germany, Japan, executives of petroleum companies, diesel research, component and fuel firms, and transportation researchers.

During the conference's first panel participants questioned the validity of a Nov. 12 statement released by the EPA titled "Precautionary Notice on Laboratory Handling of Exhaust Products." Treated sensationally in the east coast press, the release cited Agency findings that diesel fuel emissions were cancer-causing.

Dr. Delbert S. Barth, Deputy Assistant Administrator for Health and Ecological Effects of the Environmental Protection Agency, explained the EPA's standards and methods of testing. *Dr. Barth was answered by Dr. Richard Pollak, an embryologist with the New York-based consulting firm, Advanced Technologies, Inc. We excerpt below a portion of the Barth-Pollak interchange.*

*Barth:*...Since 1975, EPA has sponsored a study on diesel engine particulate emissions to determine mass emission rates and composition as a function of engine type and fuel composition....

The seven diesel exhaust fractions obtained from each engine... were tested for mutagenicity in the Ames Salmonella-microsome mutagenicity assay. In very simplistic terms, the Ames assay consists of exposing, to a chemical or mixture of chemicals, a specially prepared strain of bacteria which will not grow unless amino acid histidine, is present. The Ames Procedure has been shown to be 85 to 90 percent accurate in detecting substances that are carcinogenic in whole animal studies. The assumption that mutagens identified by the Ames test are also potential carcinogens is basic to the screening test philosophy....

Employing the Ames assay procedure, we found that several fractions common to each engine showed significant mutagenic properties. The findings of mutagenic activity were not altogether unexpected since previously reported studies had identified chemicals in engine exhaust products which are known to be mutagenic carcinogenic.

Even with these limited data, we had to provide an assessment. We said that, given the data that EPA now had on diesel exhaust products, we recommend that as a prudent measure these products, when present in enclosed laboratory spaces, be treated as potentially hazardous materials, particularly when they are in a concentrated state.

...We said that at this time, we do not have sufficient data to make any reasonable estimate of the public health risk....

Since we have limited data we have embarked on a substantial health effects research program to try to determine the health effects, if any, that might result from human exposure to diesel engine exhaust products...

...We are conducting several types of studies. Because we obtained positive results in Ames bioassays, we have initiated two other bioassays to confirm the results we found in the Ames test. These bioassays involve mammal cell mutagenesis and oncogenic transformation. We will be conducting further *in vitro* bioassays on particulate sample collected from light duty diesel engines operated under different driving schedules and fuel combinations. If we can develop suitable *in vitro* procedures, we will attempt to conduct comparative studies on the possible mutagenic activity of particular emissions from the exhausts of various diesel and gasoline engines....

We are also trying to develop equipment to generate a surrogate diesel particulate atmosphere. If we are successful, we will perform depistion and clearance studies on selected animal species to determine where the diesel exhausts particulate deposits, its residence time, and the degree of clearance from the lung.

We recognize that this is an ambitious health effects research program, but in order to have a reasonable data base from which to determine the risk, if any, to the public such a data base is essential....

*Pollak:*...The Ames test is known as a general screening test for mutagenic materials: that is, materials which will cause mutations in bacteria which have been selected, especially selected, for their ease of undergoing mutation. Now there are two assumptions before I go any further, two assumptions which must be emphasized. One is that the Ames test can be extrapolated down to zero: that is, low doses will be as efficacious in bringing about mutagenesis as high doses. Secondly, it is assumed that you can extrapolate these results to human systems and other mammalian systems.

The first point about the Ames test — just to give people a familiarity (so that there is no mumbo-jumbo

about a system they are not too sure about.) You take a bacteria, and you select it for the following qualities. One is that if there is a lesion in its genetic system it cannot repair it; it doesn't have a good repair system, which any healthy organism does have. So, you select it so that it is permeable to any piece of material you want to test for. You grow this bacteria and you throw in your particle — a diesel exhaust particle that has been isolated and concentrated — and you know that that particle can get inserted into the cytoplasm of this bacteria and then do its dirty work....

Third, the bacteria has a special enzyme system which has the ability to take this particle...and break it down and transform it to other kinds of materials....The original particle might not be mutagenic, but once it's broken down into other particles, it might become mutagenic.

Then as Dr. Barth points out, you have this special bacteria, which is very susceptible to any kind of environmental insult. You grow it, you put in your material to be tested, and then you find out if it underwent a mutation.

...If it undergoes a mutation, then that, it is assumed, is the same process that induces cancer in an advanced organism — the mammalian cell or the human cell. Are the (results of the) Ames test correlatable to cancer causing entities in humans? In animal studies, which are not human studies, you find that, of 100 percent of substances that will not cause cancer in animals, 20 percent will cause mutations in bacteria, that is you get 20 percent false positives under the Ames test—so you're dealing with a fairly high degree of uncertainty as to your particular substance in question.

Then the reverse is that out of 100 substances that will cause cancer in animals, 85 percent will cause mutagens in others; some are much more carcinogenic than others; and the Ames test is better or worse, depending on which groups you use, and of course, on which bacteria you select for which chemicals...

Now, the second point is really much more to the heart of the matter. You have a substance that you know causes mutation, then you take it and animal-test it, and you do it in a very concentrated way. You do it in a concentrated form because of financial reasons, lifespan reasons, and so on — not because it in any way mimics what happens in nature, what happens in diesel exhaust or anything else....The real point is that high dose radiation effect, or high dose mutagenic agents have never, ever, been shown to extrapolate linearly to zero. And that's a very crucial thing, because the Ames test, and animal testing, assume the extrapolation to zero or your test procedures.

So what is the Ames test about? The Ames test has functioned for one thing only: it has functioned for a witchhunt by environmentalists against, basically, any industrial or technological product that they themselves do not like. For very overtly political purposes, various industries or sectors of the economy have been singled out and become the subject of this kind of terrorist cancer research program with the Ames program....

...Over 50 percent of basic biological research monies are now going for environmental screening programs. In other words, instead of trying to get at what really is the basis of cancer, of oncogenesis, and therefore getting a handle on it, controlling it, and understanding how to deal with it from a technological point of view and a societal point of view, the monies have been going into screening programs so that any and every chemical that's in the air can be selected for, tested for, and sure enough, found to be carcinogenic.

...If you are basically looking for a zero-growth economy, you actually want to set up conditions by which any technological progress can be stunted or stopped dead in its tracks by saying, "It causes cancer."

The diesel will actually come under an assault. Just as the National Environmental Policy Act of 1969 (NEPA) has been used against nuclear power development, diesel will come under a (similar) assault when these tests are released that will prevent any expansion plans; diesel plans will be loaded down with all kinds of "safety" devices....NEPA, as it was drawn up several years ago, was drawn up specifically *not* to protect the environment, but to give a handle to the environmentalists so that they could selectively go against various industries and realize the conditions of a zero-growth economy.

The scientific issues are bogus. The only way to go after scientific issues is to go after and develop basic science. The political issues are the ones that must be addressed. I gave you what the Ames test does to explain the bogus scientific methods being used to obscure the basic question that's at stake here... zero growth versus progress and technology.

*By the end of the panel session, Dr. Barth offered to reiterate Dr. Pollak's criticism to his superiors at the Environmental Protection Agency, and recommend that the agency retract the statements released to the press linking diesel fuel to cancer.*

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# HUD And Treasury Fund Terrorist Buy-Back Scheme For Steel

The U.S. Department of Housing and Urban Development (HUD) on Dec. 30 ordered "crash" funding for Institute for Policy Studies (IPS) fellow Gar Alperovitz to produce a "study" of how workers could buy up and then reopen the decrepit Campbell, Ohio works of Youngstown Sheet and Tube. The HUD study, also funded by the U.S. Department of Commerce, was supposedly ordered to set a national precedent for how bankrupt U.S. industry can be saved while the U.S. economy collapses. Under the plan, the U.S. Treasury Department under Blumenthal is waiting in the wings to extend hundreds of millions in loans to reopen steel plants as fascist worker-control projects while shoving U.S. steel down the tubes by denying the credit for modernization.

Even more surprising than its subsidization is the HUD-Treasury Department-Department of Commerce working publicly through IPS fellow Gar Alperovitz. The \$300,000 crash grant from HUD head Patricia Harris and the fascist Gino Baroni network inside HUD will serve as a cover for funneling millions of dollars to create a terrorist capability in the steel industry. In fact, the co-founder of IPS, Marcus Raskin, is reportedly personally overseeing the Alperovitz plan targeting Youngstown. The model for this is the work which the Wharton School's Dr. Eric Trist, a labor brainwasher trained at Britain's Tavistock Institute, has done in the mineworkers to create around local control which has added to the potential in the coalfields.

The U.S. Treasury Department, under the leadership of Werner Blumenthal, the chief advocate of destroying the U.S. currency, has set up Deputy Treasury Secretary Solomon to dole out \$800 million of federal loans to the steel industry for fascist corporatist schemes. The Alperovitz study will calculate how much in federal funds would be needed to reopen the Campbell Works (reportedly at least \$500 million, some of which would undoubtedly come from workers' pensions and lower pay). Deputy Treasury Secretary Solomon is also prepared to provide U.S. government guarantees to Wheeling-Pittsburgh Steel Corporation's Monessen, Pa. plant to force workers to buy an offering of "special stock" worth 10 percent ownership in the plant. Wheeling-Pittsburgh's "special stock" would not be convertible or saleable for ten years, a plan directly modeled on the Nazi scheme forcing every German worker to pay for a "people's car" ahead of time. Though the people's car was never produced with that money, every German worker had a non-convertible "special" certificate of ownership hanging on his wall, though it was never convertible into a car.

## *Who Is Gar Alperovitz?*

In fact, the HUD funding of Alperovitz, characterized even by the *New York Times* as "an unusual move," is a bald action to bring into full operation in the U.S. the type of terror networks now deployed against German industrialists such as Jürgen Ponto and Hanns-Martin Schleyer in Europe, and thus abort labor-industry motion toward a modernization and high technology energy policy which would provide the only future for the steel industry.

IPS fellow Gar Alperovitz was the founder of the Exploratory Project for Economic Alternatives (EPEA), the entity funded by HUD, and is also a member of the Cambridge (Massachusetts) Policy Studies Institute. Alperovitz's fellow Cambridge Institute Board members openly operate in terrorist circles; for example, Eric Mann was sentenced to two years in prison for his role in the 1969 Harvard Square Weatherman riots, and Robert "Bo" Burlingham, a member of the Weatherman Central Committee in 1969, was twice indicted for his role in Weatherman riots in Detroit and Chicago but never brought to trial.

Throughout his career of counterinsurgency against labor, Alperovitz has been funded by the notorious CIA conduit, the Stern Family Fund, which created Youth Project, Inc., which in turn funded as its project "CounterSpy," an organization of "ex"-CIA agents turned "leftist." CounterSpy agents toured West Germany in 1976 to organize support for the terrorist Baader Meinhof gang. During this highly agitational deployment, CounterSpy "former" CIA agent Philip Agee advocated the bombing of American military installations to demonstrate support for jailed West German terrorists at a meeting of the Red Star Collective, an above-ground terrorist support organization.

## *Ohio. Terrorist Target*

Ohio has already been the staging ground for terrorist deployments to prevent miners from going back to work. In the miners union, Trist created a disruptive force within the union under the cover of rank-and-file democracy which has led wildcat strikes and completely destroyed the union health and welfare funds and the very ability of the miners union to act as a national union.

Ohio is also the site of a recent redeployment of Staughton Lynd, a major figure in IPS's labor and church networks, who studied at the Alinsky Institute and did pioneer worker profiles like Trist's in Calumet, Illinois. Since his redeployment to Youngstown two years ago, Lynd has now surfaced as the chief counsel for the Ecumenical Coalition of Mahoning Valley.

The Ecumenical Coalition of the Mahoning Valley is the only group which officially supports the Alperovitz plan, and in fact the HUD grant specifically mandates Alperovitz to work with the Ecumenical Coalition. This group is purported to represent 250 churches in the Youngstown area, and is led by the Catholic Archbishop of Youngstown, Bishop Malone, and Rabbi Berkowitz. The Staughton Lynd-Cambridge Institute networks are exactly the same forces who led the unsuccessful campaign to install Ed Sadlowski as international president of the steelworkers union.

Lynd described himself and the Mahoning Valley Ecumenical Coalition as waging a three-pronged campaign to win acceptance of its plan. On the first level, Lynd said, the plan is directed against the individual worker, especially the desperate unemployed steelworkers for support. Though there has been pressure from these workers on the local steel unions, the 5,000 workers laid off with the Campbell Works' nearly complete closing as of Jan. 1 has been mitigated because USWA members will enjoy 9 months of supplemental Employment Benefits which provide 90 percent of regular paychecks.

Lynd described his second target, the local unions, as now swaying toward accepting the Alperovitz plan, though earlier Ohio steel officials had said, "We're not supporting the plan, but we're not sure if we'll publicly denounce it." Lynd, a major force in the Sadlowski campaign, declared that the main obstacle to the Alperovitz scheme is the steelworkers international union, who rightly fear that the new worker-management committees will need union approval to throw out union work rules and pay scales, and that this precedent will be used to bust steel unions across the country. For this reason, U.S. Steel chairman Speer announced Jan. 3 that U.S. Steel in Youngstown would likely close in the future, to create a wave of hysteria in this steel town.

### Steel Union Doesn't Buy 'Buy-Back'

In a Jan. 3 interview a high official of the United Steelworkers District Council for the Mahoning Valley region told a reporter, "We don't go for this plan. We've been checking into Alperovitz's background, and his connections to the Institute for Policy Studies — and we know this thing was modeled on Mussolini."

The USWA spokesman added that the Alperovitz plan is being studied closely by union analysts at the local and regional level.

On Jan. 4 the Mahoning Valley Ecumenical Council — the only entity in the area which officially supports the "buyback" scheme — drew local USWA leaders into a lengthy softening-up session to sell them the plan...and the plant. The head of the Ecumenical Council, Bishop Malone, is a close personal friend of "left"-liberal ideologue and writer Staughton Lynd, who relocated his law practice to Niles, Ohio over a year ago to prepare for the candidacy of IPS-linked Ed Sadlowski for president of the steel union.

To date, despite the Bishop's efforts, no significant political force in the Mahoning Valley supports the "buy-back." Union opposition, opposition from local business and industry, and a distinct coolness on the part of Ohio's Republican Governor James Rhodes imply that, even

with the enthusiastic support of liberal Democratic Ohio Senator Howard Metzenbaum, Alperovitz and the Lykes Corporation have an uphill battle trying to sell Youngstown Sheet and Tube to the workers.

At present Alperovitz and Lykes are working together to determine the still-uncertain technical details of the buyback which, says Alperovitz, "need not involve the union" — except to abrogate union contract agreements on seniority and so forth. Without that abrogation, "profitable" production is impossible at the incredibly inefficient and antiquated plant, one of the country's oldest.

What is certain is that Youngstown Sheet and Tube would be run by joint management-labor committees; namely, after insisting on worker-funded purchase (or bailout) to the tune of \$500 million, Lykes will consent to stay and manage operations.

The \$500 million figure is a conservative estimate of the cost to reopen the plant, most of which closed Jan. 2, laying off 5,000 workers of the plant's 7,500-man workforce. It is considered very likely that Lykes will demand more money.

### Hitler's "People's Car"

Like its predecessor co-participation schemes implemented in Hitler's Germany, where "worker investment" schemes provided the cover for incredible looting of pay and for productivity achieved on the basis of speed-up alone, the Alperovitz fraud represents not a means to save industrial production, but deep austerity against industry and labor alike.

In the exemplary Volkswagen project of mid-1930s Germany, pay was directly looted before it ever reached workers' pocketbooks to invest in production of a "People's Car," so-called to indicate that the "investment" was "voluntary." Aside from a few prototypes, no cars were ever produced, except as military vehicles. For their "investment" factory workers received certificates of ownership, and the funds went into war production.

The Youngstown Sheet and Tube caper is identical. This ancient unproductive plant is to be purchased over and over by its workforce. No new productive capacity will be created, and no new production at a real profit will occur. Instead, plant and workers will be driven into the ground, and an insignificant amount of steel will be produced unprofitably, at enormous expense.

The U.S. Labor Party has proposed a steel program opposite in every respect to Alperovitz's notions. According to the Labor Party, the American steel industry requires enormous infusions of new credit, backed by the government at low interest rates, to make possible production of efficient, modern, competitive steel plant. The Labor Party has emphasized that *high* wages and modern production processes will revive steel, and that no sane industrialist ever thought capital formation for a booming economy came out of workers' wages.

# U.S. Steel Announces Tentative Decision To Close Youngstown Facility

Edgar B. Speer, Chairman of U.S. Steel, announced tentative plans to phase out the company's Youngstown facilities last week. No date was set for the plant closing and according to Speer it would remain open as long as customers remained in the region. According to several Youngstown sources, U.S. Steel is not firmly committed to shutting its operations there.

The Youngstown area would suffer over 5,000 layoffs if the plant was actually closed. Another 5,000 jobs were lost last week when Youngstown Sheet and Tube closed its doors. This represents over 15 percent of employment in the area.

Speer's statement coincided with the campaign by the

Institute for Policy Studies to organize a workers control movement in Youngstown to purchase the Sheet and Tube plant as a cooperative. Already the United Steel Workers of America regional leadership, which was formerly opposed to the buy-back plan, is under extreme pressure to sway toward participation in it.

Business leaders in Youngstown who remain adamantly opposed to the scheme suspect that Speer is aiding the workers control movement which is approved by Undersecretary of the Treasury Anthony Solomon. Previously, Speer has emphasized his support for rationalizing the steel industry and has been the staunchest industrial supporter of Solomon.

## Industry, Labor, Farmers Form Alliance For Growth In Michigan

Jack Woods, Secretary-Treasurer of the Greater Detroit Building Trades, flanked by prominent business, labor and farm leaders, announced the formation of the Committee for Jobs and Energy at a press conference in Detroit on Dec. 21.

The committee was formed at the same time a fight is taking place within Michigan over the form of a proposed state Department of Energy. Michigan Governor William Milliken is reportedly planning to model the new agency after James Schlesinger's federal Department of Energy with a concomitant policy oriented to a solar-based economy; he is supported by elements of the United Autoworkers leadership...who were conspicuously absent from the new Jobs and Energy Coalition.

The CJE has rejected such no-energy policies calling instead for "reliance on the nation's abundant and economical domestic fuels—coal and uranium— for the generation of most electric power. An economy that is short on energy is short on jobs," said Jack Woods, summing up the CJE's philosophy. "Our Committee will work for energy development on behalf of those who work and those who provide work...(To work for energy development) is not to pollute our environment...but to avoid social and economic pollution with its more disastrous consequences for all of us."

The CJE has yet to take a position on the U.S. Labor Party's proposed Nuclear Energy and Development Act (NEDA) — which details and immediate program for the expansion of fission power and the appropriate levels of research and development to bring safe, clean fusion power on line. However, Woods' Greater Detroit Building Trades Council officially endorsed NEDA last spring. The USLP has campaigned throughout the state to have the proposed Milliken energy bill with NEDA.

Aside from Woods, the CJE includes the following individuals as its directors: John R. Hamann, president of Detroit Edison; John D. Selby, President of Consumers Power; James Barrett, president of the Michigan State Chamber of Commerce; Stanford Arnold, Secretary Treasurer of Michigan State Building and Construction Trades Council; Elton R. Smith, President of Michigan Farm Bureau; and Rev. Malcolm Carron, President of the University of Detroit.

### Michigan Program For Growth

Included in the Dec. 21 statement announcing formation of the Michigan Committee for Jobs and Energy was a ten point program for job-creation and expansion of the state's energy resources. The Committee set as its goal a Michigan energy program which will:

- \*Provide jobs and economic opportunity for Michigan's workers;
- \*Insure the continued ability of Michigan's industries and businesses to provide goods and services for our citizens;
- \*Support the continued efficient production of Michigan's farms;
- \*Provide for educational and health and welfare needs;
- \*Maintain a thoroughly satisfactory environment;
- \*Preserve the freedoms and opportunities which are the strong foundation of the American democratic system;
- \*"Among the most basic of these needs is a job, which provides not only economic security but also a sense of achievement as a productive member of our society;"
- \*Reliance on the nation's most abundant and economical domestic fuels — coal and uranium — for generation of most electric power and the conversion of industry from the indiscriminate use of oil and natural gas to coal, wherever feasible, under safeguards which are environmentally and economically sound;
- \*Accelerated research and development of alternate energy sources — biomass, solar, wind, geothermal and nuclear fusion;
- \*Measures requiring local and state governments to evaluate and consider the economic as well as the environmental impact of all energy proposals and projects.

## Miller Bends To Agent Blackmail;

# No Coal Settlement In Sight

Negotiators for the Bituminous Coal Operators Association (BCOA) walked out of bargaining talks last week, accusing United Mineworkers President Arnold Miller of backing off from tentative agreements to curb wildcat strikes, agreements which could have provided the basis for a settlement of the strike.

Miller's policy reversal is generally viewed as a capitulation to the "wildcat strike" networks infesting the UMW and linked to the Institute for Policy Studies who have threatened to wreck the projected labor stability settlement. As a result the talks are permanently recessed with the negotiations stalemated. Even if the highly unstable Miller changes his mind again, a settlement will be impossible before the end of the month at the earliest.

The "wildcat networks" are using violence and sabotage against non-union coal operations to disrupt moves toward settlement. Caravans of UMW pickets under the leadership of IPS agents invaded the Kentucky coal fields out of Ohio for the first time in several weeks. Several mines suffered over 10,000 in damages and coal trucks were forced to dump huge loads onto highways. Violent clashes erupted with local police who were in several cases overwhelmed by pickets.

Simultaneously, pickets from the IPS dominated Harlan County area invaded the Tennessee coalfields and adjacent areas in West Virginia, where similar incidents occurred.

Miller feared that the UMW Bargaining Council which contains a number of IPS-linked union officials, might reject the tentative labor stability package before it was placed before the membership for ratification. Ac-

ording to the Wall Street Journal, Jack Perry, the President of UMW District 17, has led the opposition to Miller on the Bargaining Council. Perry and Cecil Roberts, the Vice-President of District 17, were actively backing the wildcat strike wave last summer and have been calling for Miller's resignation ever since.

Actually, the overwhelming majority of UMW members are in support of the labor stability package which refinances the bankrupt Health and Welfare funds. A survey of numerous UMW local officials and county news reporters in the West Virginia coalfields indicates that the miners favor an early settlement on this basis. Miller could have approval for the proposed contract had he stuck to his guns.

### *Effects*

The Federal Energy Administration issued its first report on the strike last week predicting that the nation would survive the winter without serious coal shortages unless "something happened to stockpiles." The report says that 66 percent of domestic coal production has been closed down due to the strike of which 52 percent involves UMW mines and the remaining 14 percent non-union mines closed due to pickets or sympathy strikes.

Potomac power, based in Western Maryland, is planning to ask industrial customers to curtail power usage if the strike lasts for another two weeks, according to the *Baltimore Sun*. This is the first reported shortage in stockpiles since the strike began. Although most utilities still have long term stockpiles, the strike will affect scattered locations in early February.

## Friends Of The Earth:

# Nerve Center Of Britain's Environmental 'Movement'

Exclusive to *Executive Intelligence Review*

*...Work for a post-industrial age Earth...help further search for a tenable transition from the present environmental overspending to a civilization in equilibrium with its environment. Most important, help preserve the earth's genetic heritage and cultural heritage, the essential diversity of the interwoven life systems that keep the earth a living earth. Keep technology in perspective and under man's control, stressing low-energy decentralized technology....Fusion perhaps? These dreams are more likely to exacerbate than help the problem...*

—Friends of the Earth

In conjunction with the French Socialist Party and André Gorz's *Nouvel Observateur*, the Friends of the Earth (FOE) organized the demonstration against nuclear energy at Creys-Malville on Aug. 30, which ended in a bloody confrontation with police.

Recently, the FOE in England sponsored the environmentalist attack on the Windscale nuclear reprocessing center, aired at a Government Inquiry. The FOE boasted of a \$3 million expenditure on the testimony, organizing nonproliferation and antinuclear "experts" from the United States to testify.

In Australia, FOE agents are "helping" the aborigine tribes to file a legal case against the government and various mining concerns to prevent mining of uranium reserves located on their reservations. This action threatens over 90 percent of the known uranium reserves in Australia.

In West Germany, FOE leader Helger Strohm has been instrumental in the creation and growth of the Burgerinitiativen movement against nuclear and other advanced technology. In early 1977, the Burgerinitiativen, with support from the Maoist KPD-ML and others, organized mass antinuclear demonstrations in Brockdorf, Gronde, and Wyhl resulting in armed clashes with police. Right after these demonstrations, a series of terrorist attacks on industries supplying materials for the construction of nuclear power plants occurred across West Germany.

In Sweden, the FOE is coordinating an exchange program between Swedish environmentalists and the U.S. Clamshell Alliance (which targeted the New Hampshire Seabrook nuclear facilities for full shut-down).

The Friends of the Earth stands out among the groups which make up the hierarchy of the environmentalist

network as the mediating link between the institutions involved in lobbying and pro-environment propaganda, and anarchist and terrorist groups which carry out industrial sabotage and riots — all to preserve "spaceship earth." The Friends of the Earth was the first environmentalist operation set in place as a world-wide cadre force, receiving \$200,000 in seed money from the Aspen Institute's Robert O. Anderson in 1969. The FOE is unique in the international "movement," functioning as a political intelligence and covert operations unit, promoting no-growth economic policies dictated by top London and connected Wall Street banking networks.

### *Darwinian Evolution*

"Environmentalism" was developed in the 18th century, when Britain's ailing debt collection and colonial looting was threatened by humanist advances in science and technology. With the help of British East India Company operative John Stuart Mill, along with T.H. Huxley, Charles Darwin, and other members of the British aristocracy, the British Colonial Office put together a pseudo-scientific justification for maintaining cultural backwardness, minimal scientific research, and labor intensive industrial development.

This unnatural "environmental" illusion is now being built into a mass political movement by the *same* British gentry, with their associates and cothinkers inside the United States, including such organizations as Anderson's Aspen Institute and the Wall Street-based Stern Fund. Using a full policy for zero-growth global management, prepared in 1968 by the Club of Rome, the Aspen Institute — a post-World War II think-tank for Fabian and Malthusian operations — set up the command and control structure for a mass environmental movement.

The FOE's policy and ideological roots are most clearly expressed in the mid-May 1976 issue of their newspaper *Not Man Apart* in a featured policy statement for California by FOE associate Charles Warren, at that time a member of the California State Assembly and now a member of the Carter Administration's Council on Environmental Quality. Under the headline "Cornucopians and Malthusians," Warren writes: "...Analysts of future events have tended generally to divide into two groups: The Malthusians argue that the sources of the world are finite, and that continued growth will eventually threaten the resource supply available for future generations; that the driving mechanism behind resource exhaustion is increased population in conjunction with increasing per capita requirements. Therefore, they conclude some

form of population control is essential....I come down on the side of the Malthusians." The same issue of the paper gives extensive supportive publicity to the "Land for the People" campaign in California to destroy high technology agriculture and replace it with tiny 160 acre "family farms," a project heavily financed by the Stern Fund.

#### *Interlocking Directorate*

Although Friends of the Earth is nominally based in California, analysis of its directorate and council, reveals a web of British-controlled intelligence networks, utilizing all methods of persuasion from local terrorism to subversion at high policy levels inside national governments. Following is an elaboration of the networks and institutions crucial to the FOE operations around the world. *Aurelio Peccei*, director of the genocidal no-growth think tank, the Club of Rome, sits on the Council of the FOE, along with Club of Rome member *Albert Szent-Gyorgyi*. The main control, however, comes from the International Institute for Environment and Development whose directors *Maurice Strong*, *Harrison Brown* and *Aurelio Peccei* sit on the FOE Council.

The British monarchy's use of FOE as an extension of their colonial policies is strikingly revealed through *Lord Caradon*, a FOE Council member and specialist in British Colonial affairs in Africa and the Mideast, a specialty Caradon developed while working for the British Colonial office in Palestine, Trans-Jordan, Cyprus, Nigeria and Jamaica and another important Council member is *Raymond Dassman*, an organizer for the World Wildlife Fund headed by His Royal Highness, Prince Philip, Duke of Edinburgh.

The International Institute for Environment and Development (IIED), based in London, is headed by Lady Jackson (*Barbara Ward*) and is the central policy coordinating body for the world environmentalist campaign, and virtually controls the United Nations Environmental Program. In its 1976 annual report, the IIED defines its role as: "an effective link between expert and popular opinion — a contact which in turn effects the citizen's ability to influence governmental decisions. . . The IIED sees that these ideas are disseminated to governments and agencies and provides all possible support in helping to formulate programs."

After its creation in 1971, the IIED (then the IIEA — the International Institute for Environmental Affairs) moved in on the United Nations Environmental Programme and, for all intents and purposes, took it over as a powerful propaganda dissemination institution. Maurice Strong, then head of the Programme, was brought into the board of IIED. The IIED was instrumental organizing the U.N. sponsored ECO SOC, HABITAT and ECO LOS conferences, all major highly publicized events drawing government representatives from around the world. The IIED is also in charge of the United Nation's Environmental Liaison Board, coordinating the activities of all Non-Governmental Operations — including the Friends of the Earth.

Further, through its influence over the U.N. Environment Programme the IIED controls the UN's Environment Fund, containing \$113 million pledged by 59 countries during the 1973-77 period. This money is designated for use to "stimulate through partial

assistance or seed money those activities which may be needed to fill gaps in the pattern of environmental action at all levels." 250 projects were approved for these funds during the first two years.

Outside of its activities at the U.N. the IIED directs the environmental movement through its European Environmental Bureau. The EEB links together *all* the European environment groups including the FOE and the West German Burgerinitiativen, organized to carry out violent protesting against construction of nuclear power plants in Europe.

#### *Friends of the Earth and Terrorism*

Direct policy input to the FOE from the U.S. comes through the Stern Fund networks through FOE Council member *Richard Ottinger*, a U.S. Congressman whose Ottinger Foundation is jointly administered with the Stern Fund. This Stern Fund group has a policy outlook which is identical to the British IIED and is responsible for financing and directing fascist local community control and terrorism, subverting U.S. industrial strength. Richard Ottinger's Foundation is a major funder, along with Stern, of the Youth Project, a network of local community control groups in the U.S. including the National Land for the People which is leading the campaign to destroy high technology agriculture in California and replace it with 160 acre "family farms." Youth Project also set up and conduited funds to Counterspy, a network of "ex-" intelligence agents, including Philip Agee, which published hit lists against the U.S. intelligence community resulting in the assassination of CIA Athens station chief, Richard Welsh.

The *Stern Fund* group, including FOE member Ottinger, also finances the Institute for Policy Studies (IPS) which has been the central vehicle for deployment of synthetic "left" and "right" groupings for terrorist operations, including the Weatherman; George Jackson Brigade, FALN, etc. in the U.S., the Baader Meinhof gang in West Germany, and the Italian Red Brigades. This Stern Fund policy group also created and pays for the Washington D.C.-based Exploratory Project on Economic Alternatives, an IPS-run "think tank" which has prepared nuts and bolts manuals for "economic decentralization," small farms and "workers control" in the U.S., modeled on the 18th century British system.

#### *Utopians Unite*

When Friends of the Earth was established, a significant bulk of the membership was drawn from the World Federalist movement, a private intelligence network which was built by left-CIA operative Cord Meyer, with behind-the-scenes help from Fabian Bertrand Russell. This World Federalist input enabled the FOE to instantly acquire a worldwide network of influence. FOE Council member *Norman Cousins*, editor of *Saturday Review* magazine and a propaganda specialist with the World War II Office of War Information, is also an honorary president of the World Association of World Federalists and former editor of various World Federalist publications; *Stewart Ogilvy*, a FOE Director, is a member of the World Federalists and former editor of *World Government News*; *David Brower*, president and founder of the Friends of the



Earth is also a member of the advisory board of the World Federalists' *World Peace News* along with Mildred Blake, the United Nations representative for the FOE.

The World Federalist networks as a whole continue to function in close coordination with the FOE and the environmentalist movement in general. Its major front group is the Planetary Citizens, which was founded by *Norman Cousins* as a tax exempt non-governmental organization attached to the United Nations and recently elevated to "consultative status" by the U.N. Economic and Social Council (ECO SOC) and conveniently financed by the U.N.

The Federalists, and Planetary Citizens, are organized around a belief structure consonant with FOE, integrating pacifism, environmentalism, and synthetic fanatic religious operations into one countercultural outlook. "We have only just begun to learn that the world environment functions as one single organism," states a Planetary Citizens' brochure. Not surprisingly Planetary Citizens director Donald Keys, participated in the latest Club of Rome report "Goals for Mankind" preparing a section on "Goals for the U.N."

A model held up by the Planetary Citizens for a post-industrial lifestyle is a countercultural hippy commune in Tennessee known as "The Farm." "The Farm as a successful spiritual commune is now known worldwide. But there were many who despaired of anything good coming out of the drug scene in San Francisco in the late 60s. . . . Hundreds followed the exodus to Tennessee where The Farm took root. Today over 1000 *voluntary*

*peasants* live work and grow at the Farm," states the Planetary Citizens' newsletter, *One Family*. This feudal model for "voluntary simplicity" coached by the World Federalists and environmentalists has been hid under the banner of an "ethical imperative." "At present most Third World countries are trying to mimic the Western industrial 'miracle' . . . They want 'agrobusiness' rather than the self-reliant, soil-kindly, people-intensive small farm."

#### *Lovins' Spoonful*

FOE has served over the recent years as the initiator of new operations for the environmentalist movement. Their main international operative is *Amory Lovins*, an American expatriate who was educated at Oxford (although he did not graduate) and now lives in England.

Lovins' crankish ideas of alternative technologies and energy conservation were published last year in *Foreign Affairs*, the policy journal of the New York Council on Foreign Relations in an article titled: "Energy Strategy; The Road Not Taken." This article signaled the activation of antinuclear environmentalist operations on all levels from terrorist bombings, the Brockdorf Wyhl, Seabrook and other "civil disobedience" protests up to the push by the Carter Administration for a worldwide nuclear energy moratorium, to stall and bankrupt the nuclear industry.

Lovins then set out on an international tour, meeting with contacts in governments to push for a nuclear moratorium and adoption of "alternative" energy

## The Top 'Friends Of The Earth'

### *Robert O. Anderson:*

Chief executive of Atlantic Richfield Oil Company and director of the Aspen Institute for Humanistic Studies, a think tank designed to organize leading intellectuals around policies of environmentalism, World Federalism, and population control. Anderson provided \$200,000 in seed money to found the Friends of the Earth to function as an integral part of the Aspen Institute's environmental program. In 1969 Anderson, in conjunction with Britain's Lady Jackson, established the International Institute for Environment and Development to take over the United Nations Environment Programme, headed by Aspen Institute's Maurice Strong. Anderson is now a co-chairman of the IIED.

### *Lady Jackson (Barbara Ward):*

A member of Britain's aristocracy, Barbara Ward is a high level policy maker in the environmentalist operation. Trained as a Fabian economist she was brought onto the staff of *The Economist*, in 1939 intelligence and economic operations center for Rothschild banking networks. Ward is also a director of the U.S.-based Natural Resources Defense Council, a center for anti-industry litigation which has tied up the construction of hundreds of nuclear power plants through legal obstruction. She is the author of several major books popularizing environmentalism, including "*Spaceship Earth*," "*The Widening Gap*" and re-

cently a book issued in conjunction with the United Nations, "*The Home of Man*."

### *Norman Cousins:*

Editor of *Saturday Review* magazine and a member of the Friends of the Earth Council. Cousins has been a leading organizer for the World Federalist movement since he left the overseas branch of the Office of War Information psychological warfare propaganda unit in 1945. In 1961 Cousins published a book, "*Instead of Folly*," which argued to establish a world government which would override the sovereignty of all nations. In the 1970's, Cousins founded the Planetary Citizens, a world federalist organization advocating the dismantling of advanced civilization and offering countercultural communes as the "alternative" quality of life which could bring peace and freedom to the world.

### *David Brower:*

Founder and head of Friends of the Earth. Brower is a lifetime environmentalist and was president of the U.S.-based Sierra Club conservation group from 1952-69, when he split off a core group of followers to establish the FOE intelligence network. Brower is also a member of the World Federalist movement. He recently reported to *New Yorker* magazine that he is able to talk to chickens.

sources, such as solar collectors, windmills, methane gas collection from rotting garbage and similar backward ideas. In an interview last summer, Lovins stated he had secured a contract from a "high official inside the French government" for preparation of a "soft energy" proposal for France. He further stated he had met at length with West German Science and Technology Minister Matthofer shortly before Matthofer's speech calling for a moratorium on nuclear energy development in West Germany and an increased emphasis on alternative energy sources. In England, Lovins indicated that he was on close terms with Foreign Minister David Owen who "has a personal stake in the matter" (stopping nuclear technology development).

Lovins's latest book "*Soft Energy Paths*" is being foisted on the public as an irrefutable argument against nuclear energy development, and helped secure a meeting between Lovins and President Carter this fall, with the help of high level Wall Street backers.

Friends of the Earth maintain offices in at least 13 countries, including France, Belgium, Holland, Sweden, West Germany, Ireland, Yugoslavia, South Africa, Australia, New Zealand, and Thailand as well as their major offices in London and the U.S.

Exemplary is France, where the FOE has operated on several levels. Through their Paris office director, *Edwin Mathews*, a member of the top Wall Street law firm of Coudert Brothers (other Coudert lawyers are Richard Gardner, U.S. Ambassador to Italy and defender of the Institute for Policy Studies, and Sol Linowitz, author of the Linowitz Commission plan to destabilize Latin America) who maintains liaison with officials inside the French government to influence and

attempt to subvert the French nuclear energy development program. Another Paris FOE officer is *Brice LaLonde* who ran in the 1976 Paris mayoral election on an environmentalist ticket. LaLonde went to the Pacific with Bertrand Russell during the early 1960s to protest French nuclear experiments. LaLonde and lesser figures in the FOE are involved directly in organizing the "grass-roots" protest movement against advanced technology development, especially nuclear energy. FOE has been joined in this operation by the IPS-linked anarchist terrorist circles around *Nouvel Observateur*.

In England the FOE has set up a major base for their Europeanwide operations, participating in the IIED's European Environmental Bureau, based in London, and working closely with the environmental publication, *The Ecologist*. With the public support of Sir Julian Huxley, *The Ecologist* in 1972 published a special issue titled *Blueprint for Survival*, "complimenting the invaluable work being done by the Club of Rome," as its introduction stated. This issue of *The Ecologist* also inaugurated a regular column by the FOE, "Friends of the Earth Newsletter."

On the whole, investigation of the environmentalist movement confirms that this political creation has been artificially imposed on real scientific endeavors. If the world population is to accept deindustrialization and possibly thermonuclear holocaust, then an anti-growth, and antinuclear mass movement is regarded as a political necessity by British and U.S. financiers committed to managing full economic collapse. For the emergence of the labor-industry alliance committed to nuclear-based industrial expansion, environmental protests have proven useless.

—*Stuart Pettingell*

## In The Upcoming French Elections:

# Where Does National Interest Lie?

In mid-March 1978, the French population will go to the polls to fill 491 seats in the national legislature, the National Assembly. That vote will determine the composition of President Valéry Giscard d'Estaing's Cabinet and, therefore, go a long way in shaping France's policies in the international arena.

### FRANCE

Under Giscard, France is now providing critical support to the government of West German Chancellor Helmut Schmidt in resisting the "soft energy" and "devil take all" monetary policies emanating from Washington and London, as well as in combating terrorism. France is also playing a major part in quietly shaping ongoing Middle East peace negotiations around a perspective of mutual interest in regional industrial development. With the Third World generally and with the Soviet Union, France enjoys a very special relationship in this respect.

The legislative elections will serve as an important test for the future of this policy orientation. The elections will reveal whether the popular mandate exists for continuing on the present course and, secondly what is the most appropriate correlation of political factions to see those policies through. At the present time, there are three clearly identifiable policy options emerging in the preelection debate, only one of which truly represents the national interests of France. The other options, if carried into action, would be disastrous and lead in short order to a subjugation of the nation to the whims of London and its allies.

The only policy proposal that holds any promise for long-term stability is former Prime Minister Michel Debré's "national safety" government. Such a coalition would cut across party lines on the basis of a *policy* commitment to a three to four-year national economic recovery plan. The political motive-force of such a government would be a labor-industry alliance drawing on sympathetic elements of the Gaullist (RPR) party, the French Communist Party (PCF), and its affiliated trade union, the million-strong CGT. The historical precedent for such a government can be located in the immediate postwar government of General Charles de Gaulle, in which PCF member Joliot-Curie was appointed to create the French Atomic Energy Commission and continued for many years to play a leading role in the

expansion of France's nuclear capacity.

Barring that happy solution, France is confronted with a choice of the lesser of two evils. In the event of a definitive split in the Communist-Socialist Union of the Left, a second policy option would be suggested in the form of an alliance of the French Socialist Party (SP) with the polymorphous middle ground of French politics that politely describes itself as the Center. President Giscard d'Estaing formerly referred to this alternative as an "advanced liberal" society; in actuality, this is the option most often touted by the American think-tank community and its press outlets, the *New York Times* and the *Washington Post*. Last week the French press reported that U.S. National Security Advisor Zbigniew Brzezinski now favors a Giscard-Mitterrand coalition. The historical precedent for this type of coalition is the Atlanticist Fourth Republic of the 1950s and its disastrous colonial and domestic policies, paved the way for de Gaulle's 1958 coup, as well as the Vietnam War.

Finally, to the extent that the French Communists and French Socialists can negotiate their differences, the possibility of a United Left majority emerging from the legislative elections is real. However, because of the deep-seated incompatibility, bordering on downright hostility, of the two parties on all major policy issues, such a coalition would quickly grind to a halt, leading in all probability to either of the other two alternatives or, worse, to a NATO-run coup.

### Atlanticist Fourth Republic

Recent national opinion polls do not adequately reflect the subjective side of the preelection environment. Between now and March, the key determining features of the elections will rest on the policy initiatives of the parties, particularly the Gaullist opening toward the working class base of the PCF, and the resolution of the factional situation within the PCF.

Public opinion samples show the Gaullists and Socialist parties now entering the lists with 24 percent of the national vote apiece; the Communists with 20 percent; and Giscard's Republican Party (RP) trailing alongside the Centrists with 13 and 10 percent of the vote respectively. On these readings, it might appear that the current Gaullist-Republican-Centrist coalition could be maintained with a shoestring majority in the National Assembly. However, such a coalition would be forced to maintain a delicate balance among its factions on major policy questions and would be increasingly susceptible to

the "tipping" potential of marginal political parties, such as the ecologists.

The tenuousness of the present coalition is further underscored by the adamant commitment of President Giscard d'Estaing and Prime Minister Raymond Barre to a domestic austerity policy, which is driving the general population more and more to the Left. Presumably aimed at "strangling inflation," so far the so-called Barre Plan has only succeeded in strangling industrial production and the economy generally.

### Gaullists Prepare for Hard Fight

With this in mind, the renamed Gaullist party, the Rally for the Republic (RPR), has mobilized since its national convention two weeks ago to ensure a strong showing in the March elections. The RPR's program reflects many of the key progrowth features of Debre's "national safety" proposal, and a strong RPR vote in March would indicate significant support for Debre's ideas. The program calls for a 5 percent annual growth rate (compared to government projections of less than 3 percent growth at the present time), capital investment, and the creation of skilled jobs. To realize their electoral goals, 395 RPR candidates have been designated to run in the elections.

Debré and RPR President and Mayor of Paris Jacques Chirac have personally interceded with President Giscard d'Estaing, urging the government to break with its domestic austerity policy and to move into a national recovery mode. In early December, within 24 hours of each other, Debré and Chirac privately laid their cards before the President. Debré emerged from his talks warning that France is in a "state of war" and that "battles must be waged on the monetary, energy, and export fronts." He concluded with a call for "rather broad" national reconciliation around this perspective, requesting a similar meeting with Raymond Barre, who replaced Chirac as Prime Minister last summer. Chirac has pointed out that some of the RPR's economic proposals "could be taken immediately, since they are justified by the urgency" of the situation.

The Debré-Chirac meetings are but one facet of a double-edged approach the RPR is taking toward the government. On the one hand, the party is maximizing pressure on the government to shift gears on economic policy before the situation deteriorates further and, secondly, ensuring that the French population understands the RPR is *not* committed to the President's policies despite their participation in the present coalition government. To this end, Jacques Chirac toured the country last summer and fall, speaking to large audiences in left-leaning working-class areas about the RPR program and underscoring its strong nuclear energy development plan.

### Socialist-Centrist Abomination

A Socialist-Centrist coalition would, on the contrary, overthrow the policy perspective currently in effect and would incarnate the policies that the City of London has

sought to impose on France since General de Gaulle thwarted their NATO machinations 20 years ago. Such a government would enjoy the support of the Centrist parties led by the likes of Jean-Jacques Servan-Schreiber; elements of President Giscard d'Estaing's own Republican Party, most notably former Interior Minister Michel Poniatowski; major sections of the Socialist Party; and a specifically Anglophile renegade faction of the Gaullist party.

The programmatic glue for this conglomeration would include all of the worst features of the programs currently being urged on the U.S. Congress by Messrs. Blumenthal, Schlesinger, and Mondale, but with a peculiarly French air. That is: dissolution of the centralized state into bickering regional interests; enforced industrial backwardness; "soft," i.e. non-nuclear, energy; small-scale agriculture; and a "social contract" for labor, characterized primarily by a French version of local workers' control, *autogestion*.

At the present time, the most active figures lobbying for this option include Michel Poniatowski of the Republican Party and "leftist economist" Michel Rocard of the Socialist Party. Rocard is building his credibility by adjusting to the popular support for the government's nuclear energy policy. Earlier this fall, Rocard was in the United States drumming up support from the State Department and the top think tanks, including the Council on Foreign Relations. In November, he toured London's equivalent organizations, such as the Royal Institute for International Affairs, and met with British Chancellor of the Exchequer Denis Healey.

Rocard's simulated support for nuclear energy runs directly against the grain of official Socialist Party policy, but more especially, against Socialist Party leader François Mitterrand's control over the party. There is every reason to suspect that Rocard would like to replace Mitterrand at the helm of the Socialist Party. Mitterrand's career has had a one-to-one correspondence with the ups and downs of the Union of the Left, as well as being overexposed during his warmongering days as Interior Minister under the Fourth Republic.

Other SP supporters of a Socialist-Centrist coalition include the bevy of "radical economists" around Jacques Delors, a former advisor to Gaullist Jacques Chaban-Delmas; Pierre Uri, a former associate of Atlanticist Jean Monnet and a former representative of Lehman Brothers in France; and pro-NATO defense specialist, Jacques Attali.

Michel Poniatowski made a political comeback last week in a nationally televised speech announcing his candidacy in the March elections. He was invited to leave the government in 1976, following his repeated efforts to undermine the President's Gaullist allies. Rumors persist in Paris that Poniatowski may be appointed Foreign Minister after the March elections. Perhaps in anticipation, Poniatowski has scheduled a London tour, following in Rocard's footsteps.

It is unfortunately the case that Poniatowski exercises an undeserved influence on President Giscard d'Estaing, who was personally brought through the ranks of the Republican Party by the Polish prince. It is also unfortunately the case that the President has a strong proclivity toward a Centrist-Socialist alliance. His

recent policy orientation is largely due to the pressure brought to bear on his government by the Gaullists and by international factors, bearing most directly on France's national interests, such as nuclear energy development.

Poniatowski's activities have also struck a responsive chord within the Gaullist party, largely among that layer most heavily influenced by British Fabian ideology. In this grouping are Minister of Justice Alain Peyrefitte, the author of an explicitly anti-Cartesian analysis of the French ideology, *Le Mal Français*; former Minister of Regional Planning Olivier Guichard, who has recently taken to stumping with Socialist Party members on the need for decentralization; and Jacques Chaban-Delmas, Giscard's opponent in the 1974 presidential elections and the author of a Rousseauvian "new social contract" for France.

### Whither the PCF?

The creation of a Socialist-Centrist coalition depends in no small part on the prospects of a final break in the Union of the Left. In turn, the crucial factor in determining the fate of the Union of the Left rests with the resolution of the faction fight within the French Communist Party, the second largest communist party in the West. If the self-styled "new Communist" grouping around Secretary General Georges Marchais gains the upper hand in the party on the basis of an opportunistic compromise with the Socialists to win the elections, then France could, in fact, emerge from the March legislative voting with a left government.

The so-called Common Program of the left in fact provides no *policy* basis whatsoever for governing the nation; rather, it is a stew of contradictions reflecting the fundamental dichotomy in the Socialist-Communist relationship: measures for a strict zero-growth, workers-control orientation set against a strong industrial and technological development perspective. With such a mash to guide them, the Left simply cannot govern France. The nation's biggest trade union, the CGT, has confirmed this by promising a strike wave if a left government were to continue the current domestic austerity policies.

However, a left government would serve the purpose of focusing French politics in a self-destructive "left versus right" contest, effectively destroying the basis for cross-

party political arrangements, as outlined by Debre's "national safety" proposal. In such a situation, France would be overripe for a coup, orchestrated by London.

Therefore, the key on the left rests with the French Communists; in particular, whether those elements which shared and understood the tradition of the Resistance period and the de facto cooperation with the de Gaulle governments, whether certain trade-union and scientific layers can be rallied to some form of the "national safety" perspective.

This factional tendency is closely associated with recent PCF policy orientations toward Italy and Portugal. In both cases, the PCF has developed its orientation on the basis of the *policies* that best serve those nations' interest. Therefore, the PCF has supported the PCI in its defense of the progrowth and antiterrorism orientation of the Christian-Democratic Andreotti government and has supported Alvaro Cunhal and the Portuguese Communist Party in toppling the Social-Democratic government of Mario Soares because of its defense of International Monetary Fund austerity measures. The PCF has also developed a joint working commission with the Italian Communists specifically to develop joint economic policies "around a perspective of economic expansion."

The danger, however, is represented in recent marked shifts in other aspects of PCF policy, largely at the hands of the party's Paris "café intellectual" circles, dominated by Jean Elleinstein, Pierre Juquin, and Paul Laurent. Following recent flare-ups in its relationship with the Socialists, the PCF has turned to wooing leftist sects in a purely opportunistic manner. The PCF, which has for years violently denounced *autogestion* as a sociologist's scheme to get workers to submit willingly to austerity, is now posturing as the "party of *autogestion*" for the sake of a few votes.

A marked shift is also taking place in the PCF's attitude toward terrorism. The party's theoretical journal *Nouvelle Critique* last month featured an article defending West Germany's Baader-Meinhof terrorists as "democrats" persecuted by the Schmidt government. This anti-German note is an old saw that has repeatedly been used to undercut the formation of alliances with other continental European forces, on the basis of mutual interest, a backhanded way of criticizing the French government's supportive relationship with a "reactionary" power.

— Dana Kastner and Leigh Bristow

## Carter In The Mideast: Weak In Policy Direction

Jimmy Carter's swing through Iran, Saudi Arabia, and Egypt this week did not provide lucid guidelines as to the future direction of U.S. Mideast policy. Carter left in his wake a series of ambiguities that hopefully will be clarified only when U.S. Secretary of State Cyrus Vance participates in three-way talks with the Egyptian and Israeli governments in Jerusalem Jan. 15.

The most revealing moment in the trip was a "whistle-stop" meeting in Ismailia, Egypt, with Egyptian President Anwar Sadat. Worried by the refusal of Israeli officials up to this point to publicly recognize Palestinian Arabs national interest, Sadat and other Egyptian officials had hoped to obtain from Carter a pledge of U.S. support for the Palestinians' right to self-determination. This combination of hope and worry had been heightened by Carter's own sudden expressed opposition last week to an independent Palestinian Arab state and his unequivocal endorsement of Israeli Prime Minister Begin's controversial plan for Palestinian Arab "self-rule" in the West Bank and Gaza Strip territories.

In Ismailia, however, Carter stuck to a solidly "middle" position, reiterating American support for "the legitimate rights of the Palestinians" that had been stated in the October 1 U.S.-Soviet joint statement on the Mideast, but limiting the U.S. position on the self-determination question to the Palestinians' "participating in the determination of the future."

Reacting mainly out of fear of not getting solid U.S. support, Sadat on Jan. 4 attacked the Palestine Liberation Organization as "irresponsible" and stated his preference that Jordan's King Hussein represent the Palestinians!

But elsewhere Carter's statement was poorly received. A PLO spokesman in Beirut charged that "the American president seems to be unaware of what he really wants. It does not become a superpower to be unable to formulate a policy on a specific issue. It is high time for the Carter Administration to make up its mind and tell us what it really envisages for the Palestinian people."

Similar strains were evident in Saudi Arabia. Less than an hour after Carter left Riyadh, Saudi Prince Fahd told interviewers that he "can not claim that there was total agreement" between the two countries. Coupled with press reports that the Saudi ruling family had demanded U.S. action to defend the dollar, the Saudi Arab News editorialized, "Our diplomatic patience is not inexhaustible...Friendship is not a two way street; sooner or later the U.S. will have to deliver."

Observers in Riyadh reported that the Saudis were particularly irked over leaks by a top unnamed "U.S. official" that the two countries' positions were convergent on the Palestinian issue. In reality, the Saudis remained adamant about the need for an independent Palestinian homeland in the West Bank and Gaza that would include that participation of at least the moderate-centrist faction of the PLO centered around PLO chairman Yasser Arafat.

According to French press accounts, Carter's positions had received "violent opposition" from King Hussein during their Dec. 31-Jan. 1 tete-a-tete in Teheran. The King was reportedly dead-set against joining the Egypt-Israel peace talks *until* broader concessions had come from Israel; Carter reportedly pressured the King to jump on board the talks irrespective of any new Israeli moves.

## Europe's Programmatic Input Keeps Mideast Peace On Track

The failure of the recent Sadat-Begin Ismailia meetings to achieve at least preliminary agreements toward a Middle East settlement did not wreck the overall negotiation process primarily because the leading nations of Europe have intervened in the situation to keep that process going. While the Europeans have developed a political credibility with both Arabs and Israelis, the primary content of the European intervention has been an effort to give Middle East peace negotiations an economic basis in programs for Middle

East regional development.

The key to this thrust has been the effort to create a new banking center in the small nation of Luxembourg which could serve as the nucleus of a new gold-backed international monetary system. That system would be the international premise for cooperative national and regional co-development agreements between Arabs and Israelis. Recent reports from banking circles in Western Europe have confirmed that France and West Germany are coordinating their work toward such a "Luxembourg

system" with Saudi Arabia, and that this has been the key to keeping Mideast peace efforts on track despite the recent setbacks.

The ten-day visit of West German Chancellor Helmut Schmidt to Egypt was an expression of the same deliberate link-up of peace negotiations and development program. Politically, Schmidt stressed to Egyptian President Sadat that the Soviet role had to be maintained. While in Cairo, Schmidt also met with two PLO members. On the economic side, Schmidt reportedly discussed the sale of two West German nuclear reactors to Egypt. Recently, Egypt purchased two nuclear reactors from France.

In policy towards the Mideast itself, both France and West Germany have maintained that (a) a separate peace between Israel and Egypt is unworkable, stressing that Israel make peace with all her neighbors; (b) both the United States and Russia have an equally important role to play in shaping a future peace; and (c) that the "legitimate rights" of the Palestinian people be addressed. It is mainly on the question of Palestinian rights that European and Saudi views converge. Saudi Arabia has let it be known that it will not flinch on the demand for the establishment of a Palestinian state and that the PLO has a role to play in such a state.

Notably, the tiny nation of Luxembourg itself recently established diplomatic relations with Saudi Arabia and extended recognition to the PLO as the legitimate Palestinian spokesman.

Reports of Schmidt's trip to Egypt indicate that the West German leader discussed a comprehensive development plan for that nation with special emphasis on the concept of "labor power." According to the assessment of the Frankfurter Allgemeine Zeitung last week, the

Chancellor impressed upon his Egyptian interlocutors that it was not a Marshall Plan that Egypt needed but, instead, investment in the development and training of labor.

West Germany's positive intervention is being supplemented by the increasingly important, albeit behind-the-scenes, role which France has played in the last weeks. In an ABC-TV interview, French President Giscard d'Estaing stated that France has a key role to play in the Mideast as the guarantor of security in the area. He also said: "At the appropriate moment, the USSR should assist in the application of the Middle East peace process: it is not possible to obtain guarantees if one of the superpowers remains outside the accord."

In the area of economic cooperation, France sent a high level delegation to Saudi Arabia in the past week comprised of the Ministers of Cooperation, Industry and Economic Planning to discuss bilateral accords. Rumors have circulated to the effect that Saudi Arabia is interested in purchasing nuclear reactors from France. In addition to the French industry delegation in Saudi Arabia, French national assembly speaker Edgar Faure made a swing through the Mideast last week. Stopping first in Kuwait where he attended a symposium on Palestinian rights, he then went to Egypt for three days of talks. In a three-hour meeting with Faure, Sadat said that he looked forward to further "European involvement" in the Middle East and declared that Giscard d'Estaing would be the first statesman he contacts after his Aswan meeting with Carter on January 4.

Faure has close business contacts in Egypt. The newly appointed Foreign Minister Kamel (formerly ambassador to West Germany) sits on the Board of Directors of a company owned by Faure.

## Dayan Insurrection In Israel Gets Brzezinski's Support

A political insurrection by General Moshe Dayan, Israel's foreign minister, has slowed the momentum of Middle East peace talks and threatens to lock Israel into an intransigent position vis-à-vis the crucial issue of the Palestinians and the future of the West Bank. The growing power of the Dayanists in Israel was the chief cause of the failure of the Ismailia talks between Egyptian President Anwar Sadat and Israel's Prime Minister Begin to come up with a statement of principles, as intended, to serve as a guide for future negotiations.

The Dayan insurrection is taking two forms: internally, extremists and fanatics from across the Israeli political spectrum are being rallied by Dayan to oppose the initial signs of a compromise by Begin on the West Bank; outside Israel, the Dayan forces, British Intelligence, and the circles associated with National Security Council director Zbigniew Brzezinski are planning to expand the current wave of assassinations and terror to permanently harden the Arab position against negotiations.

According to sources in the intelligence community, Dayan has been meeting regularly with British Intelli-

gence to pursue this scheme. It is this conspiracy, the sources said, which has given rise to the widespread reports of a split between Begin and Dayan. The split came out in the open when, upon their return from the talks in Egypt, Dayan walked out of a press conference when he was slighted by Begin, according to the *Washington Post*.

In the U.S., Dayan is being aided by Brzezinski and former Secretary of State Henry Kissinger. So far, Brzezinski has prevented President Carter from adopting a clear position on the Palestinian issue, while in an interview with a French weekly Brzezinski said, "Bye-bye PLO," in a reference to the intended exclusion of the Palestine Liberation Organization from Middle East negotiations. The PLO issued a series of attacks on Brzezinski following his remarks, and named him in the murder of the PLO's London representative, Said Hammami, on Jan. 4. The killers of Hammami, the PLO said, were "marching in the treadmill set up by Brzezinski and U.S. policy." In an earlier statement, the PLO said that it would hold British authorities responsible for Hammami's murder.

In the last week, Prime Minister Begin of Israel has shown signs that he is hardening his position away from earlier hints of West Bank compromise. The Begin plan for "self-rule" for the Palestinians on the West Bank, originally floated as a starting point for negotiations, is now being characterized by Begin as a final concession. In addition, in an interview last week, Begin equated Palestinian "self-determination" with a Palestinian state and rejected "this mortal danger to Israel," while, only weeks ago, he stated, "Self-determination and self-rule, they are synonymous."

Further, it is reported that Begin named Agriculture Minister Ariel Sharon to join the political committee talks between Egypt and Israel, along with Dayan, in Jerusalem Jan. 16. The inclusion of Sharon, who is a notorious extremist and is pushing for stepped-up Israeli

settlement of the West Bank, is a worrying sign for Sadat.

Another indication of the developing political crisis in Israel is the resignation of Begin's chief adviser, Shmuel Katz, who, according to the *International Herald Tribune*, is having a running political "feud" with Dayan.

Cooperating with Dayan are his former colleagues in the Israeli opposition Labour Party, led by Shimon Peres. The Labourites, reacting hysterically to the signs of a concession from Begin, publicly accused Begin of endorsing the idea of an "independent Palestinian state" and threatened a vote of no confidence in the regime. Along with Dayan and the Labour Party, some members of the Rothschild-sponsored Rafi group of Begin's Likud bloc, and even in Herut itself, are making noises against the Begin diplomacy.

## Iran Condemns BBC, British Foreign Office For 'Propagating Violence' Against Shah

For the third time in as many months the Iranian government has registered complaints with both the British Broadcasting Company and the British Foreign Office for meddling in Iran's domestic affairs.

Most recently, an editorial appeared on Dec. 17 in *Kayhan*, the government-owned daily, castigating BBC for broadcasting in Persian "slanted" news designed to feed internal dissent against the Shah's government. *Kayhan* noted that the BBC has exaggerated the role of the London-based Amnesty International and the International League of Human Rights (which has represented the British intelligence-spawned Baader-Meinhof terrorists in court) in enforcing "human rights" in Iran. BBC, according to *Kayhan*, has also grossly overplayed antigovernment demonstration in Iran and elsewhere for the same purpose.

*Kayhan* concludes that "the BBC is actively propagating violence in our country...What the BBC does cannot be considered accidental or due to the ill-will of individuals in its foreign language department. The department is under the direct supervision of the British

Foreign Office. Considering currently friendly relations between the two governments (referring to Iran and Britain — ed.) it is our turn to be 'surprised' by the BBC's campaign of lies and malice. This campaign would probably have no effect on bilateral relations between the two governments. But it will certainly do much damage to standards of journalism throughout the world. It hits new lows — unprecedented in the annals of journalism in recent years and certainly not reached even by controlled media in the most totalitarian of states."

A week prior to the *Kayhan* editorial a spokesman for the Iranian Foreign Ministry, Parviz Adl, described as in "poor taste" remarks made by British Foreign Minister David Owen. During an interview conducted last month, Mr. Owen did not convincingly rebuke "prejudiced questions" from the interviewer on the human rights issue. According to Mr. Adl: "This was a rather poor way of speaking about a friendly country which has been abused by certain circles in Britain, a country where there are so many examples of violations of human rights, especially in Ireland and elsewhere."



# Towards A New Political Alignment?

Dramatic political developments within India's two major parties have paved the way for a potential regroupment of the entire Indian political scene into two clearly defined opposing blocs. One stands for a continuation of India's Nehruite post-Independence legacy of modern industrial development, science and the battle against rural backwardness. The other proclaims the primacy of a march back to the ancient village and the destruction of India's formidable industrial structure under the World Bank's plan for labor-intensive rural development.

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## INDIA

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What occurred is the exit from the Indian National Congress by former Indian Prime Minister Indira Gandhi and her followers on New Year's Day, and the resignation from all positions of leadership in the Communist Party of India by S.A. Dange, long-time president of the party and the strongest Gandhi backer in the party leadership.

The Gandhi split and Dange's departure now bring to the fore the essential question for prodevelopment forces in India: can these two powerful parties now organize allies in the ruling Janata Party to join in a united front around a program of nuclear energy-based industrialization to reverse the present drift toward political chaos and economic breakdown.

Up to now, preoccupied with internal business, neither party has stepped forth with a bold call along the required lines.

### *Gandhi Makes Her Move*

The Gandhi group precipitated the long-simmering split by calling a Dec. 31-Jan. 1 rump meeting of the All-India Congress Committee (AICC), the 667-member Congress legislative national body. Long-standing attempts by Mrs. Gandhi's supporters to install her as Congress president failed. Two weeks before the split meeting, Gandhi had resigned from the Congress standing executive body, the Congress Working Committee (CWC), and was followed a week later by seven of her followers on the 20-man board. The Jan. 1 meeting voted a resolution proclaiming itself "the real Congress," despite the reported attendance of only the seven CWC members and less than a third of the AICC, making the entire meeting a mockery of Congress procedures.

In response, the legal Congress leadership under president Bramanandra Reddy voted the expulsion of Indira Gandhi and all who choose to follow her, and appealed to

the government's election board to certify that Gandhi's group has no rights to the Congress Party's electoral symbol and ballot status.

Gandhi's contention, over the previous months of bitter internal party wrangling, has been that she is the only Congress Party leader of national status, and therefore ought to lead it again. Her party opponents, on the other hand, argue that the State of Emergency that she imposed on the nation from summer 1975 through March 1977 destroyed intra-party democracy, and turned the country over to a small clique of World Bank-linked operatives grouped around her son Sanjay, denying basic legal rights to the population. They further insist that the Congress must now acknowledge the major mistakes of that period, for which Gandhi must take the greatest blame.

Gandhi has refused to concede more than minor, unintentional excesses, and instead insists on defending the Emergency as a whole. She claims to have the support of the masses of India's peasants, with or without the Congress leadership, and it is on the basis of this calculation that she has moved to form a separate party.

But attendance at her meeting was clearly well below expectations, and Mrs. Gandhi took personal charge of the meeting in order to hold it together. Immediately following the rump session, battles for control of the Congress state parties, and the mass membership, began throughout the country. First reports show less support from certain key states than Gandhi's own pre-split strength there, indicating widespread reluctance among her followers to split from the Congress. In her home state of Uttar Pradesh, with 80 million people (the most populous state in India), Mrs. Gandhi was reported drawing only a small degree of support from state party leaders. In West Bengal, Ambika Soni, a former close friend of Sanjay's and leader of the Youth Congress during the Emergency, denounced the split. As remarked by the weekly journal *New Wave* (see below), Gandhi will most likely find that outside the Congress her mass appeal is very limited.

### *Pressure for Janata Split*

The pressure is building for a comparable split within the Janata, which came to power in the March 1976 elections on the crest of a backlash against Gandhi's Emergency. The Janata is an unhappy three-way marriage (leaving out two nominally socialist parties with only regional strength) between extreme right-wing and fascist tendencies represented by the Jana Sangh and BLD parties, a current led by the present prime minister Morarji Desai which emulates Mahatma Gandhi, patron saint of India's Independence movement, and elements that left the Congress within the last two and a half years in opposition to Mrs. Gandhi's tightening

grip on the party machinery and tilt toward World Bank, anti-socialist parties. The latter agree in principle with the Congress in Mrs. Gandhi's absence, and would probably swing the Desai forces behind them in event of a Janata split.

The necessity for rapid action to coalesce a cross-party alliance of forces committed to Nehruite principles is daily emphasized by the increasing terrorism — including the sabotage of an Air India plane last week — and general breakdown of law and order — fomented by Home (Interior) Minister Charan Singh of the Jana Sangh, and the paramilitary fascist front, the RSS. And last month the Janata government began full-scale implementation of its World Bank-authored program for deemphasizing modern industry and making village handicrafts and small-scale industry the basis of the Indian economy.

Reports of contacts between the CPI and the Communist Party of India (Marxist), a member of the Janata with strength in several states, indicate that the process of realignment has begun, and independent forces, such as *New Wave*, are arguing strongly for this course.

—Peter Rush

*This analysis is excerpted from New Wave, an influential Indian weekly journal. The cited articles reflect the attempt to define the political realignment around Indira Gandhi's move to regain national political power:*

Why Gandhi Defends the Emergency, from *New Wave*, Dec. 18

The growing sense of insecurity in Janata-run states and the attempt to create chaos in Congress-run states by inciting strikes and violence for electoral gains create precisely the situation in which the majority of the population may once again look towards someone who can restore order in the country. This is what Indira Gandhi is counting on to achieve her strategic objective. It is not because of any madness on her part that she continues to defend the emergency and its so-called gains....

The choice is not between Indira Gandhi and Charan Singh. When it comes to the crunch the choice will in effect be reduced to the two faces of the same socioeconomic forces represented by the Sanjay caucus and the RSS. The external agencies which are manipulating both the Indira caucus and the Janata caucus have little to lose whether the country is dominated by one brand of authoritarianism or another because both have a common source of inspiration.

“Will She Split? Let's Hope She Does” — *New Wave* Dec. 25

Indira Gandhi is bent on splitting the Congress. Her maneuvers and manipulations inside the party for the last three months have exposed her claim that she wants to serve the party as a humble member. For her, she is

the party; she is the people; she is India. The myth created by her courtiers, that the people at large are beholden to her is sure to be exploded within a few weeks of her splitting the Congress. She has done many good things to the country during her tenure of office. Yet the people rejected her in March because of the many criminal acts of the gang around her; that these were perpetrated with her connivance and support outweighed her achievements. Even so, the Congress has been so far generous towards her. Instead of charge-sheeting her for her numerous acts of omission and commission, it gave her all out support when Charan Singh's police arrested and detained her. She misconstrued this spontaneous display of sympathy as love of the people, and instead of expressing gratitude to Congressmen, she launched a campaign to capture the Congress and to emerge once again as the party generalissimo. This was not to be.

The people at large who silently suffered at her hands have demonstrated exemplary tolerance so typical of Indians in the belief that she had learnt a lesson from the destruction of her power. Indira Gandhi, instead, has shown herself to be a hot-headed politician for whom the people are mere pawns in her power game. This contempt for the people and the political organization which gave her all the power and trust to redeem the pledges it made to the people cannot but boomerang....

Knowing Indira Gandhi as we do, as the most pampered child of the Indian political system, we cannot expect her to see reason. She is working on the assumption that once she leaves, the ancient organization, the Congress will simply wither away; some will join the Janata, some will retire from politics and those still left with the Congress will at the most have only regional appeal and image. In this situation, she hopes she will be accepted by the people as the only national leader.

What she does not realize is that her exit from the Congress will clear the way for a realignment of political forces. Hundreds of thousands of people who want the Congress to be purged of corrupt and authoritarian elements are bound to receive the news of her exit with a sigh of relief. Given the chance, these people will have an opportunity to join the Congress and help it function in a democratic manner. A party that does not practice democracy in its functioning cannot be expected to ensure democratic rights and liberties to the people. Indira Gandhi's rise as the unquestioned Congress boss not only destroyed inner party democracy but also demolished the democratic structure of the system as a whole.

...A ruthless exposure of the manner in which she usurped not only state power but also the political and organization power inside the Congress is imperative if the Congress has to survive as the nation's premier political organization. It is precisely with a view to evading such a reappraisal and criticism of policies and performance that Indira Gandhi sought to capture the party and once again turn it into her handmaid. Let Congressmen frustrate her designs.

# Peking's Shadow Hangs Over Cambodia-Vietnam Rift

On New Year's Eve, Cambodia broke diplomatic relations with the Socialist Republic of Vietnam, charging that country with "ferocious and barbarous aggression" on Cambodia's eastern frontier. In fact, the real problem is not so much on the eastern border, as it is a good deal further to the north, where the Chinese Communists are feeding the border dispute between Cambodia and Vietnam to advance their own pursuit of regional hegemony.

Shortly following the official break in relations, Cambodia's Ambassador to Peking, Pich Cheang, rejected Vietnam's latest offer to negotiate and instead accused the Vietnamese of conducting military operations within 60 kilometers of the Cambodian capital, Phnom Penh. The Vietnamese have denied the charges and, in an official statement, have countered that the Cambodians are escalating military incursions on Vietnamese provinces, butchering women and children. Over 2,000 Vietnamese are reported dead.

China, Cambodia's patron and closest ally is feigning official neutrality, but this has not prevented it from

generating volumes of news releases and organizing press conferences at the Cambodian Embassy in Peking. On Jan. 1, the Cambodian Ambassador to Vietnam left Hanoi for Peking; he was escorted to the airport by the Chinese Ambassador and boarded a Chinese aircraft.

A secret foreign policy address by Chinese Foreign Minister Huang Hua released by Taiwan sources confirms that Chinese support and involvement go beyond gestures of mere comradely support. While not going so far as to offer military support, the speech nonetheless made clear that the Chinese distrust the "self-conceited" Vietnamese who refuse to toe an "anti-revisionist," (read "anti-Soviet") line. (See excerpts below.)

The Chinese attitude has not gone unnoticed in Hanoi where the top leadership of the Vietnamese Communist Party remains highly critical of post-Mao developments. Premier Pham Van Dong, Party Secretary General Le Duan, and top party theoretician and sometimes considered pro-Chinese, Truong Chinh strongly dislike the rise of Teng Hsiao-ping and his "Theory of the Three Worlds."

## Secret Chinese Foreign Policy Revealed

*Here are excerpts from Chinese Foreign Minister Huang Hua's secret foreign policy speech given July 30, 1977. The speech was smuggled out of China by intelligence agents of the Republic of China and released by the Chinese Information Service (Taiwan) on Dec. 26, 1977. Hua's statements clearly reveal Peking's intentions in the area.*

*The Chinese view of the situation as formulated by Huang Hua:*

There have been border conflicts between Vietnam and Cambodia, and between Laos and Cambodia recently. Cambodia has issued an order for national mobilization, while Vietnam and Laos have also taken emergency measures to prepare for war. At the same time, Cambodia has clashed with Thailand. Why is it that the three Indochina states, instead of being united themselves, have clashed on their borders? This was due to historical factors, and also to instigations by social imperialism.

Historically speaking, there has been a considerable period of dispute between the Vietnamese and the Cambodians on certain territorial and sovereignty problems. The root of trouble can be traced to the demarcation of borders when France occupied Indochina...

*Huang Hua had these comments on the Vietnamese role with Cambodia despite the fact that Vietnamese troops gave direct aid to their Cambodian comrades:*

Self-conceited, Vietnam deemed that without its help Cambodia could not have been liberated. Consequently it

assumed the airs of a big brother, demanding obeisance from Cambodia in everything...

After liberation of Cambodia, simultaneous with the revamping of the state organs, the Cambodians also revamped their army. They resolutely disbanded those military organs and units that had been infiltrated by Soviet Revisionism, and arrested some impure elements, sending them to the military tribunals for trial...

We have discussed the problems that have arisen in these two countries since the end of the Indochina war. There is another difference concerning anti-imperialism and antirevisionism. It has been our conviction that in order to oppose imperialism, we must also oppose revisionism, and it is only by opposing revisionism that we can gain thorough victory in the anti-imperialist struggle. The Vietnamese view is that they oppose imperialism, but not revisionism...

*Though Huang Hua says China will remain neutral and not aggravate the dispute he made clear where China's loyalties lie:*

We support the stand of Cambodia and her people against Soviet Revisionism and social imperialism, and will not watch indifferently any intervention in Cambodian sovereignty or coveting of Cambodian territory by social imperialism. We will support Cambodia and her people in their struggle and in their actions to protect Cambodia's territorial integrity and national sovereignty by giving all possible assistance.

This bit of Maoist geopolitics is in the tradition of great Han Chauvinism and holds that the world is divisible into three spheres. The First World comprises the two superpowers, the United States and the Soviet Union with the latter presented as posing the greater danger. China's self-defined task is to manipulate the Second World, Europe and Japan, and the Third World developing sector to defeat and isolate the Soviet "social-imperialists."

The solidarity of Vietnam and Laos with the Soviet Union and their commitment to establishing a durable detente with non-communist countries in the region conflicts sharply with Teng Hsiao-ping's design for Chinese hegemony in Asia. Therefore, the Chinese now hope to undermine their regional peace initiatives by setting up a shooting war between the Chinese xenophobic client state, Cambodia and Vietnam.

The new Thai government of General Kriangsak, which came to power with a policy aimed at normalization of relations with Communist Indochina has enabled Vietnam to make diplomatic gains in the area and has served to reduce tensions. Vietnamese Foreign Minister Nguyen Duy Trinh has been touring Laos, Indonesia, Malaysia, the Philippines, and Thailand to promote economic cooperation. While in Thailand, which has also been the target of Cambodian border raids, Trinh hopes to hold talks on reviving the long-dormant Mekong River project to rehabilitate the war-devastated region.

Cambodia's break with Vietnam will endanger this project because the Mekong River runs through Cambodian territory. Ironically, the river would provide an overdue shot-in-the-arm to Cambodia's beleaguered economy.

#### *Intransigent Diplomacy*

Since May 1975, when the first Cambodian incursions took place, the Vietnamese have sought a peaceful solution to the border dispute. Cambodia has persisted in initiating hostilities, and the Chinese are capitalizing on

the situation to suit their own ends. The latest Vietnamese efforts and Chinese countermoves are as follows:

\*Vietnamese Communist Party Secretary General Le Duan visited China late in November for the first time since Mao's death, hoping to secure Chinese help in the border dispute. He no doubt discussed his misgivings with "the Theory of the Three Worlds," as it was then being implemented.

\*Cambodian Premier Pol Pot arrived in China right after Le Duan's departure. Following his return to Cambodia, China's Vice Premier Chen Yung Kuei arrived in Cambodia and toured the disputed regions.

\*Hsu Huang arrived in Laos in the middle of December as Chinese Ambassador. He is considered Teng Hsiao-ping's top advisor on Southeast Asian affairs.

\*Laotian President Souphanouphong led a high-powered delegation to Cambodia in the second half of December. A strong ally of Vietnam, the Laotians failed to convince the Cambodians to negotiate.

Since May 1975 the Cambodian Communist Party, the Khmer Rouge, has carried out a number of purges, described in the Western press as bloody pogroms and mass genocide. First to be purged were those associated with the old Lon Nol regime. Last spring a new purge began of the "Old Khmer Rouge," that is, those elements associated with the Vietnamese and accused of plotting a coup. All those associated with the Vietnamese were executed or imprisoned despite the fact that two Vietnamese divisions enabled the "new" Khmer Rouge to take Phnom Penh in April 1970.

The Cambodians' reaction to a direct offer from the Vietnamese to negotiate last June was to launch fresh and stepped-up border raids. In September after Cambodia staged some of the most brutal attacks on densely populated areas in Vietnam's new economic zones in the disputed region, the Vietnamese were forced to take defensive action and secure its border. The Vietnamese have said they will "keep patient" and still want to settle the conflict "in the spirit of fraternal friendship."