

July 25-31, 1978
Vol. V
No. 28

EXECUTIVE INTELLIGENCE REVIEW

New Solidarity International Press Service

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EXECUTIVE INTELLIGENCE REVIEW

P.O. Box 1922, G.P.O., New York, N.Y. 10001

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EXECUTIVE INTELLIGENCE REVIEW

is published by New Solidarity International Press Service
P.O. Box 1922, GPO, New York City, N.Y. 10001

Subscriptions by mail for the U.S.: 3 months — \$125, 6 months — \$225, 1 year — \$400.

EXECUTIVE INTELLIGENCE REVIEW

Editor-in-Chief
Fernando Quijano

Managing Editor
Tessa DeCarlo

Production Editor
Deborah Asch

International—Nora Hamerman • **U.S. Report**—Stephen Pepper • **Economics**—David Goldman • **Energy**—William Engdahl
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IN THIS WEEK'S ISSUE

In the aftermath of the Bremen and Bonn economic summits, a **secret war** . . . against the revolutionary new monetary arrangements agreed to—over Britain's shrill objections — at Bremen, and okayed by the U.S. at Bonn . . . The top story in our **INTERNATIONAL** section this week: why the City of London and allied financiers are out to stop the Bremen plan **at all cost** . . . why the **gold market** has become a battleground . . . how they've made the U.S. Labor Party a **special target** . . . why they are deploying their "**wet-work**" capability to get rid of the USLP's chairman, Lyndon H. LaRouche . . .

Also in **INTERNATIONAL**: a full assessment of the results of the Bonn meeting, and of its implications. . . featuring an **on-the-scene report** from our correspondent at Bonn. . . that tells why the purpose of the summit was somewhat **different** than many realized. . . and how that purpose was fulfilled. . . plus analysis of the summit communiqué's important **nuclear energy** and **antiterrorism** sections. . . **press highlights** from France, London, and Japan. . . a detailed examination of how **Mexico is leading the Third World nations** into the Bonn organizers' trade and high-technology development "**Grand Design**". . . and the tremendously significant role that Japan has taken up as a peacemaker immediately following the summit's conclusion. . . all in **INTERNATIONAL**

London's deadly threat against the Labor Party's LaRouche is detailed in two separate sections of this issue . . . that throw a spotlight on the real fight going on behind the formalities of monetary formulas and diplomatic language. . . In **SPECIAL REPORT**, extensive excerpts from an **address given by LaRouche** to supporters in Chicago on the eve of the Bonn summit . . . in which he shows why the Bremen accords represent the **realization** of his party's years-long organizing effort for an **International Development Bank** policy . . . and why that policy sounds the death knell for the City of London and **other anti-industrial parasites** . . . LaRouche also explains the **imbecility of the "free enterprise" myth** . . . and contrasts it with his own presidential campaign policy of **nuclear-powered city-building** . . . develops the significance of the Bremen monetary accords . . . and warns that the **alternative** to their success is successful London provocation of **World War III** . . .

Then in **COUNTERINTELLIGENCE** we present the Labor Party's own shocking exposure of exactly **how London's assassination plans against LaRouche** are intended to work . . . a document that dissects the attempted terrorist activation against LaRouche in Detroit to lay bare the real nature of London's "**surrogate warfare**" terror weapon . . . explicating the "**politics**"

and naming the names at every level of the apparatus . . . A unique piece of counterintelligence work that no public or private security official, or political or business leader, can risk missing . . .

The "free market" hoax has been dusted off and is now being vigorously peddled to the U.S. business community . . . which is proving regrettably gullible toward this ancient British fraud . . . In **ECONOMICS**, a report on how the revival of Adam Smith's "invisible hand" economics is being used against U.S. participation in the new European and Soviet monetary and development plans . . . and for a quick plunge of the American economy into deep recession . . . plus, some eyebrow-raising evidence of the common species-nature of Milton Friedman and Nikolai Bukharin . . . Then in **LAW**, the full legal case against fiscal conservatism . . . in the form of the U.S. Labor Party's amicus curiae brief against California's Proposition 13 . . . laying out point by point the constitutional imperative for a dirigist government policy encouraging economic growth and the development of the nation's population and other resources. . . .

To Britain's chagrin, the ripple effect of the "Bonn process" is being felt around the world . . . Our **THIRD WORLD** section focuses in on Africa to show how Europe's development initiatives swung the entire continent away from war and confrontation . . . in a detailed discussion of several hot spots and how they have been cooled . . . Included: excerpts from a perceptive French report on the turn in America's Africa policy and how it relates to French and other activities . . . Also in **THIRD WORLD**, the story on the storm inside Israel's government . . . with a precise factional mapping of the Israeli political spectrum that

shows where the growing momentum for peace is hitting hardest . . . and tells how the hawks are scrambling to start a war as the only way they can assure their own hold on the reins of power . . . with excerpts from the Israeli press and other sources . . .

The U.S. political scene vividly exhibits both sides of the struggle over the implications of Bonn . . . This week's **U.S. Report** opens with a rundown on the Administrative faction which is pressuring President Carter to turn to economic warfare against the Soviet Union . . .

. . . Also included: an exclusive report on the labor and industry cooperation that's taking shape to get this country's nuclear power program moving again . . . **Featured:** the details of the "100 Days" legislative program proposed by the U.S. Labor Party's LaRouche to bring the U.S. into the Europeans' Grand Design . . .

COMING IN OUR NEXT ISSUE—

- An **ECONOMIC SURVEY** that assesses the Bonn summit in terms of the series of annual meetings beginning in Rambouillet in 1975, to show how a special kind of learning process turned a British organizing vehicle into the vehicle for British policy's defeat;
- An exclusive interview with the head of Colombia's largest peasant federation, the FANAL, on how that nation is mobilizing against London's World Bank-IMF, for nuclear-powered industrial development;
- A proposal for the upcoming meeting of ASEAN that explains how Asia can lead the way in implementing the Grand Design strategy and realizing its benefits.

INTER-NATIONAL
SPECIAL REPORT
U.S. REPORT
ECONOMICS
ENERGY
COUNTER-INTELLIGENCE
EUROPE
THIRD WORLD
LAW

The Secret War Over The Bremen Plan

Barely beneath the surface of political events, a special type of war has broken out in response to the Western European and Japanese initiative for a new monetary system. The British governing group has extended its widely-publicized objections to the new European Monetary System into the field of information control and covert "wetwork" operations.

The London *Times* complained on July 20 that "the Schmidt-Callaghan Grand Design was hijacked on the way to Bremen" — where the nine European Community leaders decided upon the European Monetary System July 8 — "and became the Schmidt-Giscard Grand Design." British intelligence wants to "hijack" it back.

To set the context: a scan of leading public developments affecting every part of the world's surface shows the most dramatic advance of economic diplomacy since the Marshall Plan, going far beyond the Marshall Plan in some critical respects.

In the monetary sphere proper, the rise of the gold price to \$191.75 has provoked the financial world to reread the Bremen communique of July 9, and note that the Bremen accord constitutes *de facto* remonetization of gold as a monetary reserve, and implies pegging of the gold price through central bank action. The first press commentaries, pro and con, are ruminating over this late discovery. Simultaneously, the sudden liquidity squeezed this week in the London market has sparked awareness that the days of the London international banking center are numbered, particularly since authoritative predictions of a near-future collapse of the sterling rate have just come into circulation.

At the ongoing meeting of the Organization for African Unite chiefs of State in Khartoum, and the current European tour of Mexican Foreign Minister Roel, the developing sector has emerged as part of the Bremen orbit.

News of Japan's decision to open a long-term capital market for dollars based in Tokyo represents the first concrete linkup between dollar-rich Japan and the European Monetary System, following the predictions of Japanese officials interviewed at last week's Bonn Summit.

Senior European officials report that the French, West Germans, and Italians have extended an invitation to the Soviet Union to join the European Monetary System, the breakthrough made possible by the Schmidt-Brezhnev negotiations in Bonn during the first week of May.

The panorama continues, and is the subject of most of the contents of this issue of the *Executive Intelligence Review*. Most American policy installations, in the public and private sector, do not know this, because they have been deliberately disinformationed. A majority of our readers will recognize the format of a wire from Europe in response to an inquiry about the summit results, stating that while the potential importance of the EMS and related developments is huge, it is not likely to come into effect; the Europeans are squabbling among themselves, the implications of the Bremen communiqué are so dramatic as to be hasty and ill-conceived, the notion of a return to fixed rates of gold is fantastic, and so forth. Usually the wire comes from London, or perhaps Switzerland. If a non-British source is cited, it is usually the West German Bundesbank.

The disinformation effort is matched by a two-level covert operation directed against the best-known exponents of the Bremen approach in the United States, the U.S. Labor Party. The Labor Party's Security division has uncovered, in detail, a British-contaminated operation, run through radical "left" cover, with the object of assassinating Labor Party Chairman Lyndon LaRouche. The details of the operation are included in this issue. (See COUNTERINTELLIGENCE.) Of greater significance, however, is the policy level of this operation, which reveals the most reckless deployment of British agents-of-influence in the United States in memory.

In the Midwest, former Secretary of State Henry Kissinger, a known British agent of influence, and individuals associated with Standard Oil of Indiana, Goldman Sachs, and other entities, have been involved in a disinformation campaign directed against the Labor Party. The Heritage Foundation's Francis M. Watson, an employee of Rockford College Institute, an organization with close ties to the British Conservative Party's Center for Policy Studies, has approached a large number of corporations with "information" that the Labor Party itself conducts terrorist operations.

As this unpleasant story takes shape, the conclusion to be drawn is that within the next few weeks, virtually all the leading tendrils of British policy influence in the United States will be exposed and inoperative — or the United States will be the victim of the type of terror operation directed against West Germany and Italy during the past year.

— David Goldman

LaRouche: British Intelligence Is Running An Assassination Operation Against Me

U.S. Labor Party chairman and presidential candidate Lyndon H. LaRouche, Jr. released this statement from Chicago, July 18. "Top-level British intelligence is running an assassination operation against me, which includes a massive national pattern of surveillance, terrorist deployments, and intimidation of personal political contacts. I personally know the names of the groups involved in this operation, and the names of many individuals in these groups.

"The British intelligence operation is being run in cooperation with Israeli intelligence and persons in the U.S. associated with the Anti-Defamation League, United Auto Workers, CounterSpy, and groups under the control of Ken Cockrel of the Detroit Chapter of the National Lawyers' Guild," LaRouche charged.

"Detroit is the nominal center for the expendable group which is being set up to take credit for the assassination, after it is conducted by professional hit teams. The operation includes lawyers deployed as 'cut-outs' to the operation," the presidential candidate added. Such lawyers provide crucial support to kidnappers and assassins, while maintaining an "independent" cover.

This is not merely an assassination operation against Lyndon LaRouche—an operation stretching up to corporate boardrooms—but the British, together with Israel,

are indicating their immediate preparation to launch massive terrorism in the United States in the same mode as has occurred in Europe in recent years. LaRouche explained.

The terrorism is planned to be a rerun of the Baader Meinhof and Red Brigades operations. Although it has a radical Israeli-tinged flavor, another crucial controlling element is the so-called Black International, the fascist Black Guelphs headed by Otto von Hapsburg and Archbishop LeFebvre. This is the same group which recently ran an unsuccessful coup attempt in Cyprus.

The motivation flows from the Bremen summit, intersects the collapse of a bank in Holland, and intersects the London-Israel squabble over whether or not Israel should immediately attack Syria, an attack which could precipitate World War III, stated LaRouche.

London views Lyndon LaRouche personally as very high in importance as a strategic enemy at this time. This fact has been communicated to LaRouche by high-level sources of different nations.

LaRouche requests that any corporate officer, official or executive approached with threats or slanders against him, or intimidations meant to dissuade them from meeting with the USLP leader, should immediately report to LaRouche's New York security office, (212) 563-8648. There, these reports will be gridded and turned over to responsible officials... The life which a corporate officer would so save may not merely be LaRouche's — it may be his own.

"We must root out this terrorist infrastructure now. I emphasize, I know the names of the groups involved. I know the names of various individuals in the groups. I know the key Detroit controller, and I know those behind the operation as a whole," LaRouche reiterated.

What Really Did, And Didn't, Happen At Bonn

An on-the-spot report from our correspondent there

This analysis of the July 16-17 heads of state summit at Bonn was filed by NSIPS's George Gregory from the West German capital.

Contrary to what many believed — including a few world leaders here at the summit of the seven leading capitalist powers — the Bonn meeting had essentially one, very simple purpose: to reeducate the President of the United States on the most important current policy questions.

The major issues had already been resolved. Most important was the far-reaching agreement for a new monetary system reached at the pre-summit-meeting in Bremen, attended by West Germany, France, Italy, and England. There West Germany's Chancellor Helmut Schmidt had successfully led the move to force that policy through over the objections of Great Britain. Then, before the Europeans were formally joined by the U.S., Canada, and Japan at Bonn, discussions between West German, French, and Japanese officials had

already determined the crucial portions of the Summit communiqué endorsing the development of nuclear power and tightening collaboration against terrorism (for details, see below).

What was left for the summit itself was to win Jimmy Carter over, to at the very least taking a stance of benevolent neutrality toward the Bremen monetary agreements and the "Grand Design" of trade and global development they portend. While the British and other press groaned that "nothing will come of this summit," Schmidt, France's Giscard, and their allies were eminently successful.

Carter found himself in an international environment different from any he had previously encountered. West Germany's Schmidt and Japan's Prime Minister Fukuda were particularly warm toward the President in their almost continuous consultations throughout the summit. Soon Carter began to echo his educators; in an informal speech during the conference weekend he emphasized the necessity for economic cooperation to prevent

another catastrophic world conflict such as the World War II outcome of the 1930s, themes repeatedly sounded by Schmidt and Fukuda. As is well known, Carter praised Schmidt for "being the world leader who helped me the most in improving my economic knowledge."

While Schmidt concentrated on economics, with support from French President Giscard and Italy's Prime Minister Andreotti, Fukuda tackled the nuclear energy issue. The Japanese leader made nuclear energy and the research and development tasks related to it, such as developing thermonuclear fusion, the major topic of his briefings to his own delegation and to the press. He laid particular stress on the necessity of U.S. collaboration to achieve this goal. In turn, Schmidt underlined the same point in his own remarks to the press, deemphasizing his earlier attacks on the size of American oil imports and instead telling Carter that American energy needs can best be met through expanded use of nuclear and coal energy.

"Experts" Humiliated

The nature of the Bonn leaders' strategy was not widely known; some in the Japanese delegation were not even aware of the outcome of the Bremen meeting. Most left out were the economic "experts" that had come with the U.S. President, and had expected to dictate his stance toward the summit agenda. U.S. Treasury Secretary Blumenthal, for example, long a vocal advocate of the inflationary, low-growth, "soft dollar" economics of depression against which the Bremen accord were directly aimed, was treated to public humiliation. When presidential press aide Jody Powell gave a press briefing during the summit, the briefing had to be postponed for an hour while Powell and Blumenthal argued — or "discussed," as Powell later described it — "certain points." By the time Blumenthal got up to speak before the assembled journalists, he had effected a retreat from his previous expressed skepticism on the Bonn agreements, and now declared that the United States had given Bremen its fundamental approval. But, he added, the U.S. would reserve its approval of specific features until those features were worked out. Vulture-like, the press swooped in for the kill. "What?!?" derided the reporters, "you don't even know the specifics of what you agreed to?" While Blumenthal threatened physical collapse, the press conference was quickly closed.

Blumenthal's West German counterpart received a similar reward for his efforts to attend the summit as Chancellor Schmidt's reflationary economics wizard. Schmidt had already strongly criticized Lambsdorff in public for a letter the Economics Minister wrote demanding inflationary tax cuts in the West German federal budget, and to show his displeasure Schmidt relied increasingly on his Finance Minister, Hans Matthöfer. So obvious was Lambsdorff's demotion that the summit's closed-circuit television system announced at one point that Lambsdorff had momentarily succeeded in "smuggling himself in where Matthöfer actually had the jurisdiction."

But where Schmidt and the rest sought allies, very different treatment was accorded. Take his approach to the Japanese. Japanese delegation officials told this reporter that they had agreed with Schmidt beforehand to restrict summit discussion to serious economic issues,

not the reflation clap-trap. Schmidt, they added, "understands that fundamentally we Japanese cannot reduce exports, because our high volume of borrowing necessitates high export volumes for debt repayment." Fukuda did agree to keep the volume of exports constant, the sources said, but "he won't promise anything if our exports become more expensive for reasons we have no control over . . . It's a political question Fukuda cannot compromise on for reasons he knows in Japan."

The Japanese sources also added, off the record, that agreement had practically been reached that reduction of oil imports would not mean reduction of energy consumption. The Arab oil-producing nations, the sources said, are still insisting that the advanced nations make a serious commitment to nuclear energy before world oil supplies are exhausted.

Britain Lays Low

British Prime Minister James Callaghan was extremely quiet at the Bonn meeting, in contrast to his vigorous attempts to stop the European Monetary System agreements at Bremen. His delegation and its attached press staff instead spent much of their time spreading the word that nothing was happening or going to happen. Reuters press service, with its long history as a mouthpiece for British intelligence circles, played a leading role in this regard, its monitors intoned all day long that nothing newsworthy had occurred. Even certain British delegates were overheard complaining that the degree of Foreign Office-press collaboration was reaching "a degree that is simply intolerable."

"A Political Will To Act According To The Same Design"

The following excerpts are from a statement made by French President Giscard d'Estaing during a recent lunch hosted by West German President Walter Scheel for the participating diplomats at the Bonn summit.

We must present concrete and quantified conclusions. And we will have to implement them with vigor and rapidly, that is to say by this Fall. The actions we undertake must not be inspired by a desire to go back to past situations, but they must be conducted with the will to find new, acceptable and lasting equilibriums. Our goal is to seek to create a stable economic and monetary environment, adapted to present conditions, which would serve as the basis for a return of renewed strong and regular growth.

Our common action will have more meaning and efficiency to the extent that our public opinions see, rather than statements of intent, a political will to act together according to the same design.

The French daily Le Figaro produced this commentary on the results of the Bonn summit July 18:

The success of the economic summit of the seven big industrial nations of the West at Bonn goes beyond the optimistic visions that were circulating...The result was

obtained thanks to the concessions of three countries mainly: the United States, Japan and West Germany. The action of Chancellor Schmidt seems to have been particularly determinant. Yesterday, he momentarily abandoned the presidency of the summit to meet with his principal ministers and submit to them the concessions he was envisaging. The most positive aspect of the final communiqué is its precision and the fact that it is quantified...The precision of the commitments permits new hope for restarting international growth, and as a consequence, a reduction of unemployment.

London's View: "Between Bremen and Bonn"

Excerpts from The Economist's "Financial Report," July 13, 1978:

The German-Franco greyprint for currencies, hatched at the Bremen meeting of European heads of state, will be discussed briefly at this weekend's Bonn summit. The Americans will neither endorse nor discourage it. But the European plan virtually assures that nothing new on the currency front will come out of Bonn.

...In not too many months' time, Helmut Schmidt might

be thanking cautious Jim Callaghan for slowing down EEC moves. They think that the Schmidt-Giscard plan, if put into operation too hastily and without the participation of Britain, Italy and Ireland, would be just the job to guarantee currency dealers what they have been missing these past few months — turmoil.

...The present snake has failed to shackle even the small Scandinavian currencies to the strong mark. So a fat lot of chance any new system would have in roping in the larger, more wayward and more speculative-prone pound and lira.

A Threat to the IMF?

But officials in Washington worry that the European fund might reduce the International Monetary Fund's ability to impose conditionality on surplus and deficit countries alike, and also go against the spirit of the IMF's Article 4, which governs exchange rate policies.

The American Treasury remains committed to a flexible exchange rates system and worries about any move to rigidity. On the other hand it recognizes that the European plan is not designed to hurt the dollar and that, indeed, it would be highly desirable to reduce the volume of central bank intervention in dollars alone...

But, for better or worse, a scheme seems destined to get off the ground. In a telephone call on June 22nd, Giscard assured Jenkins that even if the British did not agree to join, the French and Germans would go ahead.

Bonn: The Nuclear Energy And Antiterrorism Accords

The final communiqué issued from Bonn and signed by government leaders from the United States, France, West Germany, Italy, Japan, Canada and Great Britain states unequivocally that "the further development of nuclear energy is indispensable and the slippage in the execution of nuclear power programs must be reversed."

The Soviet Union and Japan have already made concrete proposals for global collaboration in the development of nuclear fusion and other technologies, necessitating only a "go-ahead" from the U.S.

The commitment to ensure the development of nuclear power and to end the meddling of U.S. Energy Secretary Schlesinger and other zero-growth advocates in U.S. energy policy, was made explicit by the energy section of the communiqué. Contrary to misleading U.S. press coverage, the intent expressed in the communiqué was most definitely *not* to force an absolute reduction in U.S. energy consumption, but to ensure that any reduction in consumption of imported oil must be compensated for by increased production of nuclear energy.

Antiterrorism Collaboration

The Bonn summit also accomplished an important agreement by unanimously adopting an emergency resolution presented by West German Chancellor Helmut Schmidt to "combat international terrorism" by cutting off all air traffic to and from countries which fail to act against airline hijackers or refuse to extradite terrorists.

The resolution, which reflects the close coordination agreed upon by Schmidt and Soviet President Brezhnev during the latter's early May visit to Bonn, will function to curtail the opportunities of the British to jinx the new monetary system which they have openly opposed from the start. The Bonn summit itself, as well as the individual protagonists of the "Grand Design," have been threatened by an escalation of British intelligence-masterminded "last resort" assassination and terror operations.

Even the *New York Times* was forced to concede that the surprise antiterror initiative involved East-West collaboration — a key component in making the Grand Design work both politically and economically. On the second day of the Bonn meetings, the *Times* prominently published a report citing a high West German government official to the effect that the Soviet Union has tacitly agreed to cooperate with the West in the fight against terrorism.

Official sources quoted by the *Times* admitted that recent moves by Bulgaria to extradite four suspected West German terrorists were made "in accordance with Moscow."

With cooperation on containing terrorism underway, the Bonn meeting shifted toward teaching President Carter the basics of industrial policy, that is, the need for nuclear power.

According to the Japanese *Daily Yomiuri* of July 15, Prime Minister Fukuda and President Carter held a separate meeting in Bonn during which they worked out

Japan Continues Push for U.S. Cooperation in Fusion

Japan's newspapers are giving big coverage to Prime Minister Takeo Fukuda's proposal for a \$1 billion fund for joint U.S.-Japan fusion power research, first made during Fukuda's trip to Washington in May. Both of the country's major dailies, the Yomiuri and the Asahi, reported that the two countries had reached a preliminary agreement during discussions preparing for the Bonn economic summit of this week to extensively cooperate on the development of new energy sources, especially fusion.

The energy cooperation plan was to be finalized in a private meeting between Fukuda and President Carter in Bonn, though the details of these talks have yet to be released. Here are excerpts from Japanese news reports of the Fukuda plan:

Yomiuri, July 15:

Japan and the U.S. will reach a broad agreement on cooperation in the development of new energy sources when Prime Minister Fukuda and President Carter hold a separate meeting in Bonn.

A draft of the agreement, a copy of which has been obtained by *The Yomiuri*, has revealed that the two countries will cooperate on an equal footing in the development of nuclear fusion, photo-synthesis and other technologies.

During the seven-nation economic summit to be held in Bonn July 16-17, Fukuda and Carter will appeal to leaders of other advanced countries to join them in their joint energy development efforts.

The scope of the Japan-U.S. cooperation will cover: (1) nuclear fusion; (2) utilization of solar energy, including photosynthesis; (3) geothermal energy; and (4) liquefaction of coal.

Regarding fusion, Japan has proposed joint endeavors for the development of equipment related to the JT60, a nuclear fusion critical plasma testing facility being developed by the Japan Atomic Energy Research Institute (Jaeri), and the TFTR, a similar facility being developed at Princeton University.

Asahi, July 14:

Prime Minister Takeo Fukuda will tell President Jimmy Carter in a meeting before the opening of the Bonn economic summit Sunday that Japan is prepared to provide an annual sum of about \$1 billion to carry out joint research and development on nuclear fusion.

Fukuda will also propose to Carter the creation of a Japan-U.S. committee for scientific and technological cooperation to promote the development of future forms of energy.

a draft agreement for cooperation between the U.S. and Japan on an "equal footing" in the development of nuclear fusion, photosynthesis, and other technologies.

In draft form, the agreement calls for the establishment of a joint committee for scientific and technological cooperation with members appointed by the Japanese Prime Minister and the U.S. President to promote the development of future sources of energy and cites specific areas for cooperation in the development of the Japanese plasma testing facility JT60 and the similar Princeton Tokamak. The Japanese government has already pledged to sink more than \$500 million of its own money into the U.S. fusion program in order to help speed up its development.

The July 17 *Christian Science Monitor* let the cat out of the bag on just how receptive U.S. officials have become to the idea of international cooperation in fusion energy development. Titled "Fusion Power Research: World Cooperation Urged," the front page article quoted a U.S. fusion official in the Department of Energy, Robert Mason, as saying his office is "enthusiastic" about following up recent offers of collaboration in fusion research from both the Soviet Union and Japan. According to the *Monitor* and an earlier article in the *Washington Post*, the Soviets have proposed the establishment of a major international research facility with a jointly-built Tokamak machine, possibly in a third country. Although Washington sources close to Schlesinger and Blumenthal were reportedly "upset" by the fact that these offers were made public, according to Mason's office, the focus of the current U.S. program is much too narrow and must be expanded to "determine

the highest potential of fusion as a practical source of power."

Britain is now the only country standing in the way of a brute force commitment to develop nuclear energy as the alternative to continued dependence on shrinking oil supplies — the basis for worldwide economic expansion. Britain has spitefully thwarted efforts by the European Economic Community to agree on a site for the Joint European Torus (JET) experimental fusion program and most recently undermined attempts by the EEC to work out a common policy on fast breeder reactors, reprocessing and the management of nuclear wastes. According to the London *Times*, European initiatives in these crucial areas have been "abandoned indefinitely because of British opposition."

On the other hand, political leaders in France and Italy are openly embracing the summit's commitment to vastly expand and "promote the peaceful uses of nuclear energy." Italian Treasury Minister Pandolfi declared in an article in the financial daily *Il Sole* that Italy "agreed completely" on the results of the Bonn summit, emphasizing that now Italy must go ahead to realize its own nuclear development plan.

Following the visit of Mexican Foreign Minister Roel to Paris for talks on Third World "partnership" with Urenco, the European nuclear consortium behind the West German-Brazil nuclear deal, the French government is reportedly ready to supply Mexico with nuclear technology, machine tools and other advanced technology. A high West German official accurately noted that the issue of world war or peace hangs on the issue of nuclear power development.

Mexico Leads Third World Into Grand Design

Emerging from talks with Mexican Foreign Minister Santiago Roel in Paris July 17, French Prime Minister Raymond Barre declared to the press that the two countries were resuming close relations "after 14 years" of relative neglect, and that with Giscard's scheduled early 1979 trip to Mexico, relations could become "even spectacular." The two nations had just signed far-reaching trade accords, centering on transfer of technology, with emphasis on nuclear energy collaboration.

On the same day, Roel inaugurated an extraordinary three-day meeting of Mexico's full diplomatic corps in Europe, called together in Paris, to, in Roel's words, "analyze the possibility of increasing our links with the Common Market, particularly now that it has just held its meeting in Bremen."

On July 18 Mexican central bank head Gustavo Romero Kolbeck revived the groundbreaking \$15 billion capital-goods fund proposal that Mexican Finance Minister Ibarra first proposed to the International Monetary Fund and World Bank in late April. Speaking to Mexico's Academy of Law, Kolbeck urged international acceptance of the proposal in the same terms as Ibarra had done—as a way to bypass short-term debt-strangulation of Third World productive capacity in a fashion which simultaneously helps the advanced sector through high-technology exports.

These events outline a pattern of striking diplomatic initiatives which are bringing the underdeveloped nations into the agreements for global economic expansion worked out at the Bremen and Bonn summits. Mexican-French relations are serving as a model for the broad-based partnership between the advanced sector and the Third World integral to the Grand Design conception, while Spain is assuming a key role as a "bridge" between the rest of Europe and Spanish-speaking Latin America — with Mexico in the lead on the Latin American side.

The special quality of the French role is of particular note. When Barre spoke of renewed close relations "after 14 years," he was referring back to the historic 1964 trip of Charles de Gaulle to Mexico, where the French president delivered his famous "we will march hand in hand" speech to one of the largest crowds ever to pack Mexico City's central square. French Foreign Minister de Guiringaud was even more direct in his remarks confirming Giscard's trip to Mexico in early 1979. The strengthening of relations between France and Mexico, he said on July 14, is a revitalization of the "friendship initiated by the visit of President de Gaulle." De Gaulle's 1964 Latin American offensive, which he undertook with West German Chancellor Adenauer, marked the culmination of the last European effort to create a development-based international monetary system.

These references serve today as a metaphor for renewing the effort to bring the entirety of the Third World into the Grand Design.

Nuclear Emphasis

Mexico's nuclear future led all the bilateral discussions in the two stops on Roel's two-week trip to London and Paris. Roel announced at the start that the principal goal of the trip was to arrange guaranteed supplies of enriched uranium for Mexico's nuclear program. In mid-trip, he quantified just how large the minimum Mexican expansion will be: 20 nuclear reactors by the year 2000. An offer to become a partner in nuclear enterprises with the Europeans that is being taken very seriously.

Discussions in London centered around long-term deals with Urenco, the British-Dutch-German nuclear consortium. Mexico made it clear that it wished to be treated "not as a client" but "as a partner." Dr. Francisco Vizcaino Murray, director of Mexico's nuclear energy institute handling nuclear negotiations with Roel in both capitals, declared that Mexico expects to be able to confirm over 500,000 tons of uranium reserves over the next 10 years. This would put Mexico among the world's leading uranium-producing countries.

Vizcaino also discussed Mexico's interest in carrying out three-way deals, according to the *Financial Times* of London. "For instance, Mexico could ship oil to South American markets on behalf of European oil companies, and receive in return European nuclear know-how and facilities, paid for by the South American purchaser of Mexican oil," the *Times* reported. Such deals would lock oil exports into advanced technology trade, and aid in Mexico's intention not to pour its oil straight into debt payments.

Across the Channel, the Mexican delegation met their French counterparts for the first convening of the French-Mexican Joint Commission since 1964. The two nations discussed terms for the sale of Mexican uranium and oil to France in exchange for nuclear technology, machine tools, and other advanced technology, including transport equipment connected with the French engineering contract to build an extension of the Mexico City subway. Barre, in his July 17 press conference, announced that France has agreed to buy more oil from Mexico as part of these oil-for-technology deals.

But more important, the high French officials involved in the talks referred more broadly to Mexico's associate status in the building of economic ties between Europe and Latin America, to "the new diplomatic opening of President Lopez Portillo," and to the "new dimensions of cooperation" beyond simple trade agreements.

As the French are also well aware, Lopez Portillo's major trip to the Soviet Union and Bulgaria in late May provided a powerful impulse to strengthened Mexico-

Comecon relations. Mexico thus stands in a position to combine East and West development efforts, along precisely the lines signalled so strongly by President Giscard last week.

The Spanish Connection

Mexico and France are working closely to expand the kind of alliance their bilateral relations exemplify into a broader network of agreements, centering on Spain. Giscard d'Estaing gave a major push to this arrangement when, during his July 1-2 state visit to Spain, he called for the incorporation of Spain into the European Economic Community as a "bridge" to Latin America for all of Western Europe—a conception first put forward by Mexican President Lopez Portillo during his groundbreaking state visit to Spain in October 1977.

Mexican parliamentary deputy Victor Manzanilla Shaeffer, president of the Latin American Parliament, announced the following week that an "Iberoamerican parliament" is now being formed, to be headquartered in Cadiz. He linked this initiative to the possibility of opening channels "for (President) Carter to end the trade and economic blockade of Cuba."

Simultaneously, Mexican Undersecretary of Trade Jorge Tamayo arrived in Madrid to conclude

arrangements for the establishment of a new "Mexico-Spain Trade Committee."

Other key Latin American countries are being drawn into the arrangements. Venezuela is Spain's number-one trading partner, and Venezuela's development efforts are closely tied to manpower training programs in Spain. Argentina will be the host country for a state visit by Spanish Prime Minister Adolfo Suarez at the end of the year.

Colombia's president-elect Julio César Turbay Ayala spent a week in Spain, overlapping Giscard's visit, in a major stopover of a preinaugural trip to Europe in early July.

Establishing banking connections to funnel large flows of investments and trade credits into Latin America is also being mediated in large part through Spain. Spanish banking operations in Latin America, including Puerto Rico, have substantially expanded in the recent period. With West German prompting, Spain has just relaxed its banking laws to facilitate both European and Arab capital flows into the region. In a parallel move, the Union of French and Arab Banks announced July 4 that it is planning major expansion of its Latin American operations, now centered in Mexico, Argentina, Brazil and Venezuela.

Japan To Play Key Role In Drive For World Peace

In an extraordinary interview with the Christian Science Monitor published July 19, Japan's Foreign Minister Sunao Sonoda stated that his country wants to play a leading role in securing a long-lasting peace for the world, including possible mediation in the Sino-Soviet dispute. This is a humanist commitment, he said, emphasizing that Japan will never again go off this course, but instead will spend its money and creative capacities to keep the world prosperous and out of war.

Sonoda had many harsh words for China, and seriously questioned whether Japan and China can reach agreement on a peace and friendship treaty now under negotiation, given the differences between the two countries. His statements were somewhat out of character, as Sonoda is widely believed to favor an early conclusion to the negotiations with China. However, the government of Prime Minister Takeo Fukuda has recently adopted a very tough negotiating stance toward Peking. Two weeks ago, Fukuda declared that any progress in the talks with China depends on flexibility from the Chinese side. Sonoda is scheduled to leave for Peking July 21 to resume the treaty talks.

Excerpts from the Christian Science Monitor article, which ran under the title "Sonoda Rivets Japan to Peace Goal, Foreign Minister Resists Peking Maneuver," follow.

"When thinking of the world's future, China operates on

the premise that some day war is inevitable. We in Japan believe that we must do everything possible to avert war."

With these words, in an interview earlier this month in his spacious Tokyo office, Japanese Foreign Minister Sunao Sonoda underscored perhaps the basic difference between his country and China, where he is going July 21 to negotiate a treaty of peace and friendship.

Mr. Sonoda had some strong words for the Chinese, who have been insisting that the treaty contain an "anti-hegemony" clause before they will sign it. The Russians say the clause is aimed against them, and Japan wants to dilute it with language making clear it is not directed at any specific country

"China . . . talks of Soviet hegemony now because the Soviets are strong and China is weak. But when China becomes strong, will she commit hegemony-seeking acts against those weaker than herself? That is the most important question I shall be going to discuss with the Chinese. Looking at China's attitude toward the Vietnam-Cambodia dispute, I shall not be able to refrain from asking the Chinese how they really feel."

No matter how strong the Soviet Union is, Mr. Sonoda continued, "if it commits a hegemonic act, I will by all means oppose it. But to label that country in advance as hegemonistic and to take hostile action against it in collaboration with China is a road that must emphatically be avoided."

Mr. Sonoda said he had told U.S. presidential advisor Zbigniew Brzezinski when the latter stopped over in Tokyo en route home after his visit to Peking last May, that it might seem advantageous for the West to manipulate the Chinese-Soviet dispute because it tied down Soviet troops in Asia. "But, to try to take diplomatic advantage of the Sino-Soviet dispute, because it seems for the time being to benefit us, is an adventure, and full of a thousand risks."

Japan was weak, but "when the time is ripe," it should stand ready to mediate the Chinese-Soviet dispute — that was what he had told the Soviet leaders when he visited

Moscow in January, Mr. Sonoda said. And that was what he hoped to talk over with the Chinese as well

In the past six months Mr. Sonoda has been to the Middle East, to Washington, and to Southeast Asia, as well as to Moscow. Everywhere his basic message is the same: Japan out of the bitter experience of World War II has foresworn war and therefore cannot make a military contribution toward preserving world peace and security. But it can and will contribute its money, its energies, its creative initiatives, to help keep the world prosperous and at peace.

'The European Monetary System Is The IDB'

U.S. needs dirigism, not free enterprise, USLP's LaRouche tells Chicago rally

"In the next few weeks, either the new European Monetary System will begin to be implemented, or the United States will soon cease to exist in the aftermath of World War III."

With that assessment, Lyndon H. LaRouche, Jr., the U.S. Labor Party's national chairman and 1980 presidential candidate, opened a major campaign address before an audience of 110 people in Chicago on July 15 — the eve of the Bonn Summit of Western heads of state. That summit, said LaRouche, was already decided — at Bremen on July 7 when Europe's leaders made their move to put into effect the Labor Party's program, the International Development Bank.

"If this banking arrangement goes through, a banking arrangement in which the Soviet Union will participate," said LaRouche, "then we shall have a human race. If it

does not go through, if the Israelis under London's direction launch a war against Syria in the Middle East, if the Zionist Lobby in this country succeeds, if that talented psychopath Kissinger succeeds, if these dumb fools who go around screaming — 'We don't want international banking, we want free enterprise' — then we shall be on a course of events which leads irreversibly into World War III. After that, the United States will cease to exist."

*Free Enterprise—
The Dictatorship of London*

The chances are overwhelmingly on our side, that we *shall win*, said LaRouche, "But we have nuts running around, including corporation presidents and others who say the new European Monetary System ain't free

LaRouche: How the IDB was Born

In 1975 I proposed on behalf of the U.S. Labor Party a draft program for ending the world depression called the International Development Bank. There was nothing particularly new with this proposal; it was the consummation of a project on which I had been working for 20 years.

The IDB institution now exists. It has been established by the Europeans. It was made possible in large part because Helmut Schmidt, the Chancellor of West Germany, negotiated in May 1978 a special set of accords with President Brezhnev of the Soviet Union. If this banking arrangement goes through, a banking arrangement in which the Soviet Union will participate, we shall have a human race.

This International Development Bank proposal went through a number of tactical evolutions without any change in conception.

A resolution was adopted at Colombo, Sri Lanka in August 1976, the Colombo Resolution which embodied essentially the policy of the IDB. The architects were people like Fred Wills, former Foreign Minister of Guyana, and Zulfikar Ali Bhutto, formerly the Prime Minister of Pakistan and one of the great humanists of Asia: these two people whom Kissinger marked for death because of their role, though I think we may have saved Fred Wills's life, through the help of many

people concerned about the longevity of a great humanist.

But we were defeated, tactically. We didn't have enough people of power in the United States with the combined brains and guts to keep the United States from going straight to hell.

But wedo. We did it, with an elite of some Europeans, some Japanese — who are much more intelligent than Americans when it comes to business, finance and economics because they don't listen to the British. We did it with networks which are sometimes associated with Opus Dei, which runs from the Vatican by way of the Iberian Peninsula to France where they meet in the personality of President Giscard. We won it with the aid of leading Gaullists, with the aid of people like the murdered Jürgen Ponto, former head of the Dresdner Bank in Germany — murdered by the British because he was working for this cause, and with the aid of other bankers of that type.

We won with the aid of the Pope, we couldn't have done it without him. We won with the aid of the Communist parties, or viable sections of them, in France and Italy. We won with the aid of the government of Mexico.

We won because we were able, with the aid of some people in the United States who do have brains and guts, and with the aid of many people in Europe, to influence the perception of policy alternatives among leading strata inside the Soviet Union. So a policy perception of certain strata inside the Soviet Union associated with the Brezhnev-Kirilenko policy came around to our point of view.

enterprise. They think the United States was built on free enterprise. What bull! The United States was built by rejecting the principles of free enterprise, the principles of Adam Smith. Free enterprise is a dictatorship of the braintrusters in London.

"These poor fools who are *parasitizing* on the accomplishments of people who thought the way we do, such as Benjamin Franklin, Hamilton, the Whigs, Abraham Lincoln, think they know how to run an economy — they don't. In the Republican Party, the Democratic Party, the commercial banking community, a good deal of industry, these leaders do not, as a whole, represent the combined brains and guts to survive.

"Free enterprise doesn't work," said LaRouche. "Look at the British Isles . . . ruined. Japan, on the other hand, is a prime example of a dirigist, industrial capitalist nation where the flow of credit is forced into the creation of new and the upgrading and expansion of existing industry. Dirigism is the only way to run an industrial capitalist system."

Shaping the Future Now

This free enterprise insanity prevails among the leading forces in the United States. Nevertheless, at this point, explained LaRouche, the institution which the U.S.

Labor Party proposed in 1975, the International Development Bank, presently exists.

"We did it, the U.S. Labor Party, with the elite of some Europeans, some Japanese; with the aid of leading Gaullists, with the aid of the Pope, and with the aid of some people in the United States who do have the brains and guts.

"A few of us who are on the inside know what was adopted at Bremen. The Bonn Summit is very important, but it is not crucial. It is a formality with three features: It is to bring the Japanese officially into the arrangement worked out at Bremen and also to bring the Saudis officially into the arrangement, because Helmut Schmidt has a Saudi plenipotentiary power in his back pocket. The wealth of Saudi Arabia sits in Schmidt's pocket as a negotiating tool to get certain things done at Bonn.

"The United States," continued LaRouche, "is going to be advised and influenced to tolerate, accept, and gradually join the new arrangement. We expect to have these two features completed after I am in the White House in January of 1981.

"In the transition period between now and the time I get into the White House, the world will begin to move and consolidate around the conception of the International Development Bank. Once the United States

LaRouche On The Gold-Backed Monetary System

There is nothing sacred about a monetary system. It is not the gut of an economic system. There are people who say, "You've got to work within the existing monetary system." They don't know anything. Maybe they can conduct banking business, do good things in a *clerical* sense or administrative sense, but they don't know anything about finance. If a group of states, or governments, working with a hubristic person such as myself, decides to do so in the general interest, we can destroy monetary systems on a world scale and create new monetary systems *overnight*.

What you do is decide what your economic system is going to be, what your economic policies are going to be, and you design a monetary system to suit that purpose. And the only kind of monetary system that works in the capitalist world or a world that includes industrial capitalism is a gold-based monetary system.

During the period ahead, the value of the dollar will rise, per agreement between us and those with whom we collaborate in Europe, to a value of three deutschemarks. It is now about two. Rising to three will take a little time but it will happen. The price of gold as a monetary reserve unit will rise internationally to a price that rotates around \$240 per ounce in terms of current dollars.

When these two conditions are fulfilled, then all major currencies in the world will be pegged to a fixed

rate in this gold reserve system. The values will no longer fluctuate, they will be fixed at a rate that will be the same over a period of years. If the dollar is worth three deutschemarks in 1980, it will be worth three deutschemarks in 1986: the price of gold will continue to be \$240 per ounce of gold. Every currency and every value in the world will be pegged against that price.

The dollar is now two marks. That's an artificial value based on speculation. Why is it going to rise to three? Because there are hundreds of billions of dollar debits sitting on Japanese, Saudi, West German, and other books. We don't need to print any more dollars to have a big expansion of credit. There's already too much credit doing nobody any good except churning the speculative markets.

What are we going to do with these dollars? The first thing we're going to do is to pool large numbers of these dollars, approximately \$50-100 billion worth, in a central pool called the European Monetary Fund. This pool will be a mixture of dollar credits plus gold and some other currencies. We can essentially ignore the other currencies because they have the same function that other currencies have in any central bank. The basic reserve currency will be the U.S. dollar, which will be associated with and valued as an equivalent in terms of gold. The first form will be this pool; various central banks and other institutions get together and create a pool called the European Monetary Fund. This is a cooperative venture of central banks and other agencies, in which at least the major commercial banks will participate through central banks.

is under my competent leadership, we will have a new world economic order.

"We're going to lay the foundations between the 1981 presidential inauguration and the completion of that term for the future of the human race to come."

The New World Monetary System

"What is this new monetary system that we've put into effect?"

"During the period ahead, the value of the dollar will rise to three deutschemarks. The price of gold as a monetary reserve unit will rise internationally to a price that rotates around \$240 per ounce in terms of current dollars. When these two conditions are fulfilled," said LaRouche, "then all the major currencies in the world will be pegged to a fixed rate in this gold reserve system."

"Why is the dollar going to rise to three marks? Because there are hundreds of billions of dollars, of dollar debits, sitting on the books of our creditors, the Japanese, the Saudis, West Germans, and others — enough dollars to create a big expansion of credit."

"The first thing to do is to pool these dollars — about \$50-100 billion — in a central pool called the European Monetary Fund which will be a mix of dollar credits, gold, and some other currencies."

"Later, gold-denominated bonds will be issued which will carry for every dollar of value a denomination of \$240 per ounce of gold. The bond will carry interest rates in the order of magnitude of 1-3 percent. Perfectly feasible, because you're better off than buying in the Eurodollar market at 9 percent. Your money is inflation proof."

"The dollars exchanged for bonds are then used to create credit for world trade and investment, issued at a low rate of interest for a 15-25 year term. These dollars ultimately come back to the United States in the form of purchases of U.S. high-technology exports."

"That's how you turn a liability into an asset the way Alexander Hamilton did with the bankrupt United States in the period 1789-1793," said LaRouche.

"Under this new system, the United States is going to export agricultural products because the U.S. can produce meat and milk cheaper in terms of social cost than any part of the world. We're going to sell capital goods to the Third World. We're going to increase production of high-grade specialty steel that is needed for nuclear, breeder, and fusion reactors. The United States will become a nation of capital goods producers for capital goods producers."

"Between now and when I enter the White House in

LaRouche On U.S. Capital Exports

Our policy, like that of the Japanese, must be to divert our advantage in knowledge into an exportable commodity, which is done primarily by concentrating on the most high-technology capital goods, and by concentrating at the same time on the fundamental scientific research and the basic research and development which develops the new technology We have the most advanced labor force in the world, or what's left of it after deducting hippies and environmentalists.

So we will not become a nation of capital goods producers as such; we will become a nation of capital goods producers *for* capital goods producers, based on the leverage we have in character of the U.S. economy and its labor force, properly educated and deployed. Because of the higher standard of living and culture that we have enjoyed as a result of what our Founding Fathers and Lincoln did, we have an advantage which represents a moral obligation to the world — the advantage of specializing in producing high quality capital goods. The highest quality in the world. That's our future. . . .

But Miller proposes and that idiot Blumenthal proposes, that we beggar our economy, and bring the dollar's rate down to one and a half deutschemarks — so that the American goods will be so cheap that we'll outsell everybody else. There are some people who

say, look, if we raise the value of the dollar to two marks, three marks, our sales are going to drop. They don't understand a thing about economics.

I hope very soon, we will be issuing gold-denominated bonds. These bonds will carry for every dollar of value a denomination of \$240 per ounce. That will be the value of the bond. The bonds will carry interest rates of 1-3 percent, if I get my way in the matter. Some people may want high interest rates. I don't. I want low interest rates in the prime international lending markets of between 1 and 2 percent.

Now, someone says, "How can you get a person who's loaning out millions in the Eurodollar market at 7-15 percent in various deals to accept a bond which yields only 1-3 percent? Because 9 or 7.5 percent in a commercial savings account is *worthless*. You're contributing to inflation, you're sending it higher. The only advantage you have saving at 7 percent or 12 percent is that you're doing better than the person who's hiding his money under his mattress."

Therefore, I offer you a gold-denominated bond at 1-3 percent. You're *ahead*, you're better off than buying in the Eurodollar market at 9 or 10 percent, because your money is inflation-proof. You're guaranteed a gain of 1-3 percent in a gold denominated bond, and no inflation is going to touch that because we are dealing in a gold-denominated international monetary system.

The person talking about free enterprise wouldn't understand this, but no central banker or capable commercial banker is stupid enough to believe in free enterprise.

1981," said LaRouche, "we are going to pull together what might be called a blue ribbon commission of outstanding individuals who are in agreement on the main thrust of our policy objectives. This institution, or group of institutions, gathered around me personally, will not only advise the White House, the State Department, the Commerce Department, Congress, industrial groups, and trade unions, but tell them what is going on in the world.

"Such a blue ribbon commission will bypass NBC, CBS, Reuters, AP, UPI, The Washington Post to provide people who have to make decisions for the group they represent and provide members of those groups with some idea of what the issues are, what is happening, and supply the policy recommendations.

"That same blue ribbon commission, by August of 1979, will decide after looking over this barnyard collection of Republican and Democratic presidential aspirants that I am the only presidential candidate they can support.

"At that point, as a candidate, I need to get 20 to 25 percent credibility as a winner. Once I have that, then you know and I know that the Labor Party will get 70 percent of the presidential vote in November of 1980.

"Because of our policies and our track record, it is inevitable that the people in this country are going to find out how I saved the United States from war and the worst depression ever when nobody else except myself and my associates was competent to do it.

"Once I am in the White House, the goal will be building nuplexes, cities built around one or two nuclear reactors or their equivalents. The oil companies are going to be turned into energy companies, selling entire nuplexes, in which industries are sold or developed as a part of the sale of energy — entire finished packages to transform the world. With the new monetary system in place, we are going to first transform the developing sector and begin to build the next century."

— Kathy Stevens

LaRouche On The Nuplex Concept

The multinational oil companies, which have been stuck with the Royal Dutch Shell-Rothschild principle from the 19th century of monopoly in oil marketing, are going to have to complete their reorientation away from petroleum marketing as their long-term essential corporate goal into a new goal. The new goal will be building what are called nuplexes.

A nuplex is a city built around one or two nuclear reactors or equivalent forms of reactors. These nuclear reactors today are each in the order of magnitude of from a half gigawatt to two gigawatts each. Around such a unit you build a city with a population of from 100,000 to 500,000 population. In this city you put the industries which are required for that area, just sort of plug them into the energy source, the way you plug in any kind of modular unit. You also include industries which utilize the waste heat of nuclear reaction, this will include desalination, it will include chemical industries which use waste heat, and that sort of thing.

The way to build these cities is as follows: You go into any part of the world, and you dig a gigantic crater. You put a foundation in the bottom of the crater. And for six, ten stories underground you build a honeycomb, in which goes, modularly, your sewer systems, drain systems, communications systems, transit systems, et cetera, anything the city requires now. You construct it modularly so you can improve these things without having to tear the city apart every time you try to make an improvement in a substructure. When you come to a surface level, you build the housing, the factories, the parks and so forth.

And you do the job not over 20 or 30 years, you do the job from start to finish in between four and six years. You build a brand new city of between 100,000 and 500,000 population and you build it in any part of the world. We're going to stick a couple in the northeast district of Brazil, we're going to sprinkle them across the Sahara Desert! Within a short time, the Sahara Desert will become a habitable area. We'll start with the Sahel which is the Subsahara region, bring that back, and then repopulate the Sahara Desert. We'll be putting cities of this type throughout the world. And our oil companies will play properly a key role in doing this.

Brzezinski's Trade Cutoff: 'Economic Retaliation' Against USA

Last week's decision by President Carter and Secretary of State Cyrus Vance to acquiesce in a policy of "economic retaliation" against the Soviet Union, ostensibly conducted to further the cause of "human rights" in the USSR, is potentially disastrous for U.S.

USSR faces an "oil shortage" in the 1980s, that they will be unable to exploit their Siberian reserves without U.S. technology, and that therefore the U.S. should use a scheme of "rewards and punishments" akin to those "learning devices" favored by such rat-running psychologists as B.F. Skinner to shape Soviet foreign and domestic policy.

FOREIGN POLICY

foreign policy interests around the globe, and may produce damage to the U.S. economy far out of proportion to the loss of the few hundred million dollars currently at stake in U.S.-USSR non-agricultural trade.

U.S.-Soviet relations are now as bad as relations between Peking and Moscow, the *London Times* gloated shortly after the decision was made public. The City of London hereditary oligarchs who manipulate the floating crap game known as the Eurodollar market clearly anticipate that the decision will give them a new lease on life for their economic warfare operations against the U.S., West Germany, and Japan.

The Carter Administration took two specific actions. First, it canceled outright an export license for several million dollars worth of Sperry Rand Univac computer equipment to be sold to Tass, the Soviet news agency, for use during the 1980 Olympic Games to be held in Moscow. The Administration said this action was taken in response to Soviet civil court proceedings against two reporters from the *New York Times* and *Baltimore Sun*. Second, it placed all oil drilling and exploration capital goods and technology, which require review by the National Security Council and the President before such deals can be approved, under similar export restrictions. Immediately threatened is a \$144 million deal negotiated by the Texas-based firm Dresser Industries to export an entire plant for manufacturing oil drilling bits to the USSR. As of this writing, the White House is expected to eventually approve the Dresser deal, in part because certain of its blueprints and technology have already been made available to the Soviets, and the heaviest penalty for cancellation would obviously fall on the U.S. firm.

National Security Advisor Zbigniew Brzezinski immediately hailed the new export restrictions as "a genuinely important act" which would give the U.S. "new leverage" in its relations with Moscow. Brzezinski and Energy Secretary James Schlesinger had lobbied heavily for the export restrictions, arguing that the

Carter, Vance Under Pressure

President Carter, Secretary Vance, and the Commerce and State Departments resisted the scheme for several weeks, and only capitulated in the wake of the Shcharansky trial after Brzezinski's staff "leaked" the details to trade warrior Sen. Henry Jackson, who together with the Coalition for a Democratic Majority, the AFL-CIO, and various other groupings heavily associated with the Israel Lobby, launched a "public outcry" for immediate cancellation of the Dresser and Sperry Rand deals, threatening unilateral congressional action of the kind which produced the 1974 Jackson-Vanik amendment linking trade credits to Soviet emigration policy. There is every reason to believe that Carter and Vance acted primarily as a result of this pressure, and will seek to reverse its results as soon as they find it politically expedient. Nevertheless, as the Soviet Union has vigorously resisted such quid pro quo linkage of trade with its domestic policies in the past, there is no reason to believe that it will not reject the Brzezinski-Schlesinger economic wargame out of hand, correctly interpreting it as a return to cold war tactics.

This is all the more likely in view of the fact that the Administration has resisted similar export restrictions against the Republic of South Africa; has sanctioned the export of oil technology with military applications (unlike the Dresser Deal) to the Peoples Republic of China, and has persistently refused to withdraw American military supplies to Israel despite that nation's repeated violations of the Arms Export Control Act in Lebanon, all during the past six months.

Meanwhile, every Soviet action not to the liking of Jackson, the Zionist Lobby and those Republicans under the sway of former Secretary of State Henry Kissinger will be greeted with demands that Carter "exercise his leverage" with some new punitive action against the Soviets. Under these circumstances, concluding SALT II and other arms control agreements and repairing relations with the USSR will be extraordinarily difficult at best.

What London Is Up To

The City of London financial forces for whom Jackson, Kissinger, Brzezinski et al. are mere pawns are not primarily interested in stiffening the U.S. spine against the Soviets, protecting human rights, or any of the various other motivations attributed to their pawns' actions. Their primary goal is to block U.S. partnership in the emergence of significant new economic relations, including the formation of a new world monetary system, among Western European nations and Japan, who are getting significant tactical support in this undertaking from the Brezhnev faction in the Soviet Union. Brzezinski's new economic retaliation is a direct attack on the May 1978 25-year economic agreement between West German Chancellor Helmut Schmidt and Brezhnev, and represents a successful step in London's consistent drive to bring down the Schmidt government, as well as undercutting the Brezhnev leadership in the USSR.

Such foolish U.S. political figures as Senate Majority Leader Robert Byrd, now calling for an "International campaign" to get other nations to enforce similar trade sanctions on the USSR, on behalf of "Human Rights," are playing right into London's hand. Such a campaign to brand the Soviets an "outlaw nation" has already been initiated from London around the tactical objective of forcing the withdrawal of the 1980 Olympics from Moscow.

---Don Baier

U.S. Press: Curb Brzezinski, Work With Brezhnev Elite

As the Soviets themselves have not hesitated to point out, the confrontationist policy course advocated by Brzezinski, Kissinger, Jackson and their fellows does not enjoy wide support among the American population. Brzezinski, the architect of Carter's "human rights" campaign, who has followed the path of Kissinger in turning the National Security Council staff into a vehicle for competition with the State Department for policymaking authority, has come under especially heavy criticism in the U.S. press. The following columns published in last week's U.S. press reflect this dissatisfaction.

Christian Science Monitor, "The Push for Power in Foreign Policy," by William J. Porter (former U.S. Ambassador in the Nixon Administration), July 18:

... There is no "security adviser" in the White House. Mr. Brzezinski, technically speaking, is an "assistant to the President for national security affairs," not an adviser on the subject.

If the President, however, uses him as such, that's where the difficulties originate. The two presidential advisers on national security legitimately invested with the title are the Chairman of the Joint Chiefs of Staff and

the Director of the CIA. Mr. Brzezinski is actually head of the national security staff, which was designed to be a coordinating and administrative body.

Traditionally our presidents have entrusted principal responsibility for advising them on foreign affairs to the Secretary of State.

Mr. Brzezinski and the rest of the National Security Council staff ... like his predecessor, is showing a marked penchant for a more substantive role ... and as Mr. Brzezinski is serving a president whose forte is not foreign affairs, he is finding an outlet for his aspirations.

Mr. Brzezinski and his staff should be situated in the State Department at an appropriate level below the Secretary of State. There, they should revert to a coordinating function only. Such a position inside the hierarchy would effectively take care of persons working on security affairs who are afflicted by drang nach osten complexes. We have had our fill of that. . . .

Baltimore Sun, "Signs of a Certain Restraint," by Joseph Kraft, July 18.

"Foreign journalists in this country (the Soviet Union) study two things. In the morning they get up and read the official press. In the evening they go and see those who want to emigrate. But the truth about Russia is not in the official press, nor with the dissidents. It is in between, with the millions of Russians who want to live here and improve the climate."

The ... comment ... was made by a Soviet painter, Yuri Glazunov. I think he is right in asserting that the dissidents who want to leave Russia are not representative figures. On the contrary they are a tiny minority, largely Jewish, whose complaints have become an international cause célèbre precisely because they have contacts abroad through the press and television.

The Jewish dissidents are not simply unrepresentative. They are, as Mr. Glazunov suggests, an object of suspicion to many Russians. It is highly tempting for the régime to persecute them particularly when, as now, it is frustrated in efforts to improve the domestic economy and promote the policy of détente with the United States. Given that temptation, indeed, the lumping of the trials in the same week, the relatively innocuous play in the Soviet press, as well as the access allowed Western reporters to relatives of the defendants, are signs of a certain restraint.

The unwillingness to go all-out for a long series of anti-Semitic show trials suggests that there is in the Soviet Union a group which cares about improving conditions. That group is built around sensitive, humane Russians with skills and abilities forged in the West that give them influence in the leadership ... they represent the best instrument for promoting change for the better in Russia. So the United States should spend what little capital it has with Russia in dealing cards to them rather than to the Jewish dissidents.

'100 Days' Legislative Drive To Lead U.S. Into New Monetary System

Lyndon H. LaRouche, Jr., the author of the "International Development Bank" proposal upon which the general outlines of the Bremen and Bonn economic summit agendas have been modeled, issued a call on July 13 to create the conditions for immediately bringing the United States into the new monetary system being created at the summits. LaRouche, who is the chairman of the U.S. Labor Party and a 1980 candidate for President of the United States, called for a "Hundred Days" legislative program to bring the American economy into a worldwide high-technology industrial boom.

The LaRouche challenge was issued when it became clear that President Jimmy Carter would return after July 17 from the summit in the West German capital convinced of the perspective of establishing a new, gold-backed monetary system for the world to bypass the World Bank and International Monetary Fund. As the United States chief executive was arriving in Bonn, those two institutions were being exposed as the worst violators of the very human rights to which Carter is profoundly committed.

In their place, France and West Germany, with Japanese backing, have placed on the table the "European Monetary System" seed-crystal of a new global system to establish massive increases in world trade and the industrial development of the Third World through technology transfer. The explicit model for this was set forth by Mexican Foreign Minister Santiago Roel on his visit to France, in the form of Mexico's announced plans to coordinate *through* the European Monetary System the rapid development of its own nuclear power industry in exchange for providing oil and uranium to the already industrialized nations.

LaRouche's legislative package to bring the United States into this system centered on the following points:

- Creation of a new, U.S. credit institution to issue long-term, low-interest gold-denominated (with gold pegged at \$240 per ounce) bonds, for industrial expansion;
- Repudiation of the no-growth Schlesinger energy program;
- Repeal of the environmentalist restrictions on industrial expansion (substituting sane regulations where useful for the healthy development of the economy);
- Go-ahead for rapid completion of nuclear energy installations and the expansion of nuclear power potential throughout the U.S.;
- Repeal of all restrictions on high-technology exports, to allow full American participation in global economic development.

U.S. labor, industry, banking and political forces must now be pulled together in support of this "Hundred Days" program, LaRouche urged. As leaders of governing and policy-making institutions come to understand that the international program being implemented following Bremen and Bonn is in agreement with the International Development Bank conception, the presidential candidate stressed, they are comprehending that the United States can only be successfully brought into the West European-led "Grand Design" by following the specific direction indicated by LaRouche.

1. Creation of a new, U.S. credit institution to issue long-term low interest gold-denominated bonds, gold to be pegged at approximately \$240 per ounce, for industrial expansion.

This measure is necessary to carry out a long-overdue restructuring of United States' credit markets, in conjunction with the anticipated establishment of a new world central monetary institution, so that they can be viable participants in the large-scale industrial and agricultural development projects which will be the cornerstone of the new world monetary system. What is required to finance such projects is low-interest, long-term credit, spread out over 15 to 25 year maturities, compatible with the actual expected profitability and 7 to 15 year "breakeven" time periods of such large-scale projects.

First, the United States needs a new central bank, structured along the lines and purposes of Alexander Hamilton's first National Bank of the United States: a bank empowered and committed to issuance of credit to develop the nation's industrial and agricultural productive capabilities. The credit-issuance policies of the bank must be *dirigist* in the tradition established by Hamilton.

What must be created in effect is a two-tier credit market which emphasizes productive investments in industry and agriculture and which penalizes and establishes disincentives for speculative and other nonproductive investments.

This will enable the conversion of the present excess of international liquidity, especially dollar liquidity, into investment funds for relatively low-interest, long-term investments and short-term, hard commodity trade financing.

In conjunction with the international credit policies set by the new international monetary system and the new U.S. "national bank," and through suitable disincentives for high-interest, speculative investing, this excess liquidity must be offered the choice of buying low-yield but secure long-term bonds. In general, respecting the mass of outstanding high-interest debt, we must dry out this portion of the financial markets by purchasing existing debt with issues of low-interest debt. Backed by U.S. gold reserves, these bonds will in turn serve as high-grade negotiable paper within the commercial banking system, which can then be discounted with the Federal Reserve System to the effect that commercial banks increase their lending power for loans to useful purposes.

2. Repudiate the Schlesinger energy program.

The Schlesinger energy program is a deliberate and conscious fraud, designed to impose Schachtian austerity policy on the United States in the guise of energy conservation. All of

the Schlesinger program's proposed "soft" alternate energy sources, notably solar power is a demonstrated hoax, which cannot hope to supply the energy needs of a growing U.S. economy, and which is actually a foil for Schachtian slave-labor projects. In fact, implementation of the Schlesinger program would create insurmountable obstacles both to energy development and to all other industrial and economic progress in the United States, as Schlesinger's efforts to sabotage U.S. nuclear fission and nuclear fusion development attest.

An energy policy consonant with both United States and global interest must include the following:

- (1) Nuclear fusion power by the late 1980s-1990s as the necessary energy solution;
- (2) Nuclear fission-based technologies as the most important qualitative feature of short-term development;
- (3) Plutonium and thorium fission-fuel breeders leading into hybrid fusion-fission breeders as the critical intermediate term energy technologies.

The present state of the nuclear industry indicates the dimensions of the challenge to be met. Under the combined effects of general inflation and the stretching out of nuclear plant construction time from four to 10 years thanks to the "environmentalists," the capital costs in the industry have increased from \$134 per kilowatt of capacity in 1967 to \$700 per kilowatt in 1974. This, plus the steady fall-off in orders and related delays in scheduling due to the effects of global economic depression and the adverse political climate created by antinuclear blackmail and terrorism has meant that the industry is gravely sick.

For example, new domestic orders for 1975 were as follows: Westinghouse, four; General Electric, one; Babcock and Wilcox, none; Combustion Engineering, none. Westinghouse and GE have had no new orders since then.

Yet the global demand for nuclear power is immense. In the Mideast, present forecasts predict demand for 59 units with a total capacity of 30,000 MW by 1990, and this demand will increase enormously under the new monetary arrangement. Under the Schlesinger program, the U.S. nuclear industry, despite its difficulties still the world's largest, will be hard pressed to make a contribution to this and other global demand.

3. Repeal environmentalist restrictions on industrial expansion, substituting sane regulations where useful for the healthy development of the economy.

The principal environmentalist obstacles to industrial development are the National Environmental Policy Act (NEPA), the Environmental Protection Agency (EPA), and the Occupational Safety and Health Administration (OSHA). The NEPA requires that "environmental considerations" be taken into account in all major industrial and other capital projects. Through the requirement of "environmental impact statements" on major projects, and through the role of the NEPA-authorized Council on Environmental Quality in backing "citizen suits" against projects, NEPA has created an endless tangle of obstacles to industrial development projects in the United States. Moreover, it is clear that Congress never intended NEPA to be more than a "motherhood and apple-pie" sop to environmentalists, and that most of the procedural restrictions created through NEPA have been added through federal court rulings that go far beyond the congressional intent

in passing the bill. But the actual goal of NEPA is not protection or improvement of the environment; as NEPA's authors and supporters frankly admit, the real purpose of the bill was to effect a fundamental change in U.S. policy away from a national commitment to industrial progress as embodied in the U.S. Constitution.

Similarly the Environmental Protection Agency. The EPA's promulgation of orders requiring the steel industry, for example, to squander capital to install costly and ineffective "scrubbers" and similar "antipollution" equipment has actually hindered the development of more efficient and advanced technologies which would, overall, cause less damage to the environment. Worse, by arrogating the power to set "purity" standards for air, water, etc., the EPA has given itself a veto power over a massive number of possible new industrial projects, including steel, power generation, and others.

Similarly the Occupational Safety and Health Administration. Started as a "nuisance" agency that sent hundreds of poorly qualified "inspectors" through U.S. factories dispensing orders for mostly frivolous safety and employee convenience modifications, OSHA is now mapping a move into the big time by proposing to label some 2500 commonly used industrial chemicals "carcinogens" (presently, only 14 are so labeled). If successful, OSHA will acquire the power to shut down most of the industrial plants in the United States if it chooses to do so.

While repealing NEPA and abolishing the Council on Environmental Quality, the EPA, and OSHA, as obstacles to full U.S. participation in the new international monetary system, Congress should pass legislation based on the U.S. Labor Party's Technology and Environmental Policy Act of 1977, which explicitly reaffirms the Constitutional commitment to industrial progress, and declares that "the global environment can only be maintained and protected by the development of higher levels of technology and higher rates of energy flows, and that any other policy must rapidly lead to a catastrophic collapse of the ecology and of the health and living standards of the population."

4. Go-ahead for completion of nuclear energy installations and expansion of nuclear power potential throughout the United States.

The basic phases of a program which will maximize the rate of energy production from more advanced technologies as they become commercially feasible, while at the same time obtaining maximum potential of existing on-line technologies, is as follows:

(a) Immediately: Cut through Nuclear Regulatory Commission and EPA red tape that has crippled present U.S. nuclear energy development, so that currently planned nuclear plants can proceed into operation in the four-year construction timetable that is feasible apart from procedural delays. In adopting such legislation, Congress should retain the principle of national determination of nuclear energy siting policy, and accordingly reject Energy Secretary Schlesinger's proposed siting bill, which would place nuclear projects at the mercy of a tangle of "states rights" local regulations.

At the same time, utilities must schedule capacity expansion programs from the standpoint of rapidly rising industrial energy consumption, in the immediate and long term, not from the "zero-growth" projections based on the Schlesinger plan, which have led some utilities to cut back already planned plants. While the government estimated in the 1960s that 2,000 gigawatts of nuclear capacity would be on line by 2000; it is

more likely that 3,000 gigawatts will be needed by as early as 1990.

The immediate capacity also exists to begin assembly line mass production of light water reactors, including floating light water nuclear plants. For this, the U.S. should explore coordination with Soviet Atommash mass production facilities. The U.S. should bring the Clinch River Breeder project to full funding and start plans for commercialization; complete spent fuel reprocessing facilities and begin new construction; begin planning an Apollo Project style fusion effort, with immediate doubling of the fusion budget; accept Japanese and Soviet offers of collaboration on fusion development.

(b) Simultaneously, Congress must articulate a longer-term nuclear energy development program with the following targets:

Early 1980s: phase in commercial breeder reactors; begin fusion-fission hybrid breeder development; complete buildup of fusion program infrastructure.

Later 1980s: increase breeder reactor production; complete fusion-fission hybrid development for commercialization; bring on line first generation fusion reactors.

Early 1990s: phase out light water reactor production; bring fusion-fission hybrids on line; expand development of second generation fusion plants.

Mid 1990s: Phase in significant usage of energy from first-generation fusion plants; introduce commercial power from second generation plants.

Early 21st century: full transition to a fusion energy based economy.

5. Repeal all restriction on U.S. high-technology exports, to allow full U.S. participation in global economic development.

Congress must repeal the following restrictive measures:

- Stevenson Amendment to the Export Import Bank Act of 1945, as revised 1974: the bill places a \$300 million ceiling on credits and lending to the Soviet Union and a \$40 million ceiling on credit for the purchase of anything involving fossil fuel energy resources.

- Byrd Amendment to the Trade Act of 1974: places the same ceiling on credits and lending to the Soviet Union.

- Jackson-Vanik Amendment to Trade Act of 1974: forbids most favored nation status to all East Bloc and "Communist"

countries due to lack of free emigration for "minorities." The Amendment prohibits all credit and funding from U.S. government institution to non-MFN nations unless the President makes a special request to Congress which stipulates how such lending will promote the requirements of the Amending.

- Johnson Debt Default Act of 1948 (part of the Export-Import Bank Act): prohibits credits or loans to any government which has defaulted upon or not renegotiated the terms of U.S. government or government-backed bonds; requires a Presidential review of particular situations and submission to Congress for exemption from this Act.

- Section (2)(b)(3) of the Export-Import Bank Act sponsored by Sen. Frank Church, this amendment places harsh restrictions on all high technology and energy exports, with particularly harsh provisions applicable to the Soviet Union.

- International Security Assistance Act: restricts sales of military or military-related technologies to, especially, "communist countries." Most important is how decisions on "gray" areas are determined, that is, "of potential military application" of items such as chemicals, computers, etc.

- U.S.-British Joint Declassification Agreement on International Fusion Research: established in 1958, this agreement makes the British privy to all U.S. developments in the field of fusion energy development, and, more importantly, allows the British government effective veto power over all areas of U.S.-Soviet cooperation in fusion research, by giving Britain the power to determine what material is or is not "classified." Anything labeled "classified" — however far-fetched the basis for classification — thereby cannot be shared with the Soviets.

- Percy-Glenn Nuclear Nonproliferation Act of 1978: places procedural checkpoints on all U.S. exports of nuclear and nuclear-related technology, including the threat of congressional cutoff of contracted nuclear fuel supplies, measures which infringe on national sovereignty, and measures which violate existing treaties. Net effect has been to make the U.S. an "unreliable supplier" of nuclear technology, chilling U.S. sales abroad.

- Threatened legislation proposed by the Council on Environmental Quality which would make all U.S.-funded projects abroad subject to United States environmental regulations — whether the host country wants them or not.

At the same time, Congress must enact U.S. Labor Party-proposed legislation to vastly expand the operations of the U.S. Export-Import Bank. The bill would continue the Bank's focus on high-technology U.S. exports, while "scaling up" Bank operations to the level of \$200 billion in lending, and providing new incentives for exporters to finance sales with the bank.

Labor And Business Join Forces To Defend Nuclear Power

The Seabrook debacle sparks a national mobilization effort

In the wake of the Nuclear Regulatory Commission's decision to halt construction on the Seabrook, N.H. nuclear plant, officials from organized labor, industry, and government have inaugurated what their own spokesmen have called "a national mobilization to defend nuclear power and the Seabrook nuclear facility." This campaign for nuclear power as essential to continued U.S. economic growth was begun early in July by Building Trades President Robert Georgine, who sharing a podium with New Hampshire Gov. Meldrim

Thomson said that nuclear power was vital to the future of both the U.S. and the Third World.

Gov. Thomson quickly expanded the fight by helping to convene a special emergency energy conference in Concord, New Hampshire July 8 which drew together government, labor, and business representatives. Thomson told attendees at that meeting that the issue is not whether the Seabrook facility is built or whether "we can win battles here in New England . . . The issue is whether this nation is committed to nuclear

power . . . Seabrook is a symbol of that national commitment and it must go forward."

Thomson's words were echoed by Georgine on July 11 at an extraordinary meeting of the Nuclear Power Assembly in Washington, D.C. At the task-oriented meeting the labor leader said that his union's support for the breeder was "not based on a jobs basis . . . we got into this fight because it concerns the future of our country and it is now hanging in the balance."

Georgine specifically singled out Energy Secretary James Schlesinger for leading the attack on the breeder. "Tremendous pressure has come down from the Carter Administration and particularly James Schlesinger (on the breeder question)," said Georgine. "I have been leaned on very heavily to back away from this fight. But we won't. Too much is at stake"

Our Future is at Stake

Rep. James Roe (D-NJ) backed up Georgine's assessment of the strategic importance of the breeder fight with his comments at the July 11 Washington meeting. "The future of western civilization depends on the energy question," he said. "The way to create jobs is to make our energy cheap . . . the solution for both questions is nuclear energy . . . without it inflation will soar and the dollar will collapse"

Roe demonstrated his understanding of the current factional alignment in the trade union movement by specifically attacking the leadership of the United Auto Workers union and the United Mineworkers for fighting against nuclear power. He read from a letter supporting the so-called Flowers Amendment on the breeder, which would effectively kill the project, and said, "If the UAW and UMW are allowed to prevail . . . the ball game is over for this country"

John Brown, an international organizer for the Operating Engineers, expanded on Rep. Roe's remarks. Speaking from the floor, he identified the Flowers Amendment as a piece of treachery which would study the Clinch River breeder to death. "We should call it the 'Crippler Amendment' so that no one would be confused about its intent," Brown said.

Sen. Bennett Johnston (D-La), an acknowledged political spokesman for oil and gas interests in the Southeast who also spoke at the Nuclear Power Assembly gathering, told the assembled leaders, "Nuclear energy is the major energy question the country faces today . . . it is even more important than the oil question." Johnston, who spoke with the certainty that the American people support nuclear energy development, demanded a "first-class national debate on whether the U.S. should be pursuing the nuclear option."

Citing official antinuclear policy statements from the environmentalist-controlled White House Council on Environmental Quality and related material from the Mitre Corporation, the Senator charged the antinuclear lobby with feeding the public misinformation — with government sanction.

"Seabrook is a Symbol"

Governor Meldrim Thomson of New Hampshire, facing the total disruption of his administration's plans

for state and regional industrial and economic development in the wake of the Nuclear Regulatory Commission's ruling against Seabrook, has announced that he will use the fight for the completion of the facility as "a symbol" of the nationwide necessity for nuclear energy development. "We who believe in the production of energy and a prosperous America must be sure that the work continues," he told a crowd of workers who attended the July 8 Concord meeting. "We want to see an abundant supply of energy which we can get from nuclear power because through such energy we will create good jobs What I am talking about is not only your immediate job, but a long-range proposition which we are working from to guarantee jobs for a long time to come"

Thomson urged America to return to the policies exemplified by President Dwight D. Eisenhower's 1953 Atoms for Peace proposal and read at length from Eisenhower's speech to the United Nations introducing the proposal.

Thomson also outlined some specific tactical initiatives. He has asked both Public Service Power Co. of New Hampshire and the labor unions involved in constructing Seabrook to file multimillion dollar damage suits against the federal government and the NRC, which the state would then join as an intervenor. If that fails, the state will file a \$500 million suit on its own.

The governor has also asked for specific congressional legislation that would allow for the construction of the Seabrook plant. In a closed-door session with the New Hampshire congressional delegation, he reportedly submitted this in the form of a rider that will be attached to an upcoming bill.

Thomson demanded a massive letter-writing campaign to the White House and the Environmental Protection Agency to show "national support for Seabrook and nuclear power." He has also called for the immediate removal of former "Nader raider" Peter Bradford from the NRC for his "biased antinuclear stand."

Weaknesses

As Thomson's references to the Atoms for Peace proposal of the Eisenhower Administration imply, an American policy commitment to nuclear power must be international in character. It has to be integrated into the Bonn summit Grand Design global development policy. A cornerstone of that policy has been Japan's push for international collaboration to develop nuclear, especially fusion, power. But Thomson and other responsible leaders in the "battle of Seabrook" are only dimly aware of what is taking place in Europe — and fail to understand how it can vastly strengthen their fight if they were to link up with it.

There are also signs of dangerous confusion concerning the role of Energy Secretary James Schlesinger. Several speakers at the Concord meeting expressed the hope that the Seabrook snarl-up would force congressional action on Schlesinger's nuclear licensing bill, failing to see that legislation as creating even greater problems for the nuclear industry. Several particularly stupid Building Trades leaders thought that their mobilization would help "their friend Jim Schlesinger" get nuclear power rolling.

European Monetary System Emerges

Britain stakes its claim in gold rise

Statements by key Western European leaders and actions by numerous other governments have inaugurated the European Monetary System (EMS), created by nine heads of European nations in Bremen, West Germany, July 6 and 7.

INTERNATIONAL FINANCE

While the French take the diplomatic lead and West German Chancellor Helmut Schmidt attends to some domestic housecleaning, the immediate British reaction has been to declare itself in, while simultaneously jumping into the rising gold market. But the other side of Britain's strategy is its continued attempts to murder Lyndon LaRouche, the creator of the International Development Bank model on which the EMS was based. (For the full story, see **COUNTERINTELLIGENCE**.)

The EMS: "A Single World Design"

French President Valéry Giscard d'Estaing stated on July 18, "It is necessary to move strongly and quickly before autumn, to present concrete conclusions backed up by numbers, because international opinion is waiting with gravity and hope for the results of our work."

Giscard added in remarks reported by the French daily *Les Echos*, "instead of a declaration of intent, it is better to have the political will to act together along the lines of a single world design."

The day before, French Finance Minister Monory had told the press that the implementation to the EMS would commence "on Monday morning" in the European Council of Ministers — which directly represents the European governments — as opposed to the British-run European Commission.

Meanwhile West German Chancellor Helmut Schmidt, whose world prestige was mightily boosted by his role at the Bremen and Bonn Summits, is using the opportunity to come down hard on his antinuclear, antigrowth domestic opposition.

The Social Democratic Party Bundestag fraction has issued a letter of support for Schmidt's initiatives, and the SPD energy expert Wolfram is publicly rejecting Free Democratic Party Economics Minister Otto Lambsdorff's claims that Schmidt accepted his, Lambsdorff's, inflationary proposals at the Summit. Schmidt is also campaigning hard on his nuclear policy, stressing how far he pushed the antinuclear Carter at Bonn.

British Gold Maneuver

On July 20, the British wire service Reuters admitted that the EMS was in fact a remonetization of gold. Gold immediately jumped to \$190 an ounce on the world's gold exchanges and the monthly gold sale the day before found twice as many bids as it could supply gold.

The \$50 billion EMS, scheduled to centralize one-fifth of Europe's massive gold reserves, returns gold to a monetary reserve role. The British oligarchy which controls a substantial share of world gold production, apparently wants in on the gold rush as prices go up to the \$240 per ounce range, but is putting out the line that as gold rises, the dollar will collapse.

Under the careful speculative control of the oligarchy, this has indeed been the pattern since early 1968, the first major dollar panic. However, even President Jimmy Carter was made to understand by Chancellor Schmidt that the EMS will in fact stabilize the dollar for world investment. This was emphasized by a Japanese source at the Bonn summit, who said that the first aim of the EMS is to stabilize the dollar, then, in a "phased operation," bring the world into a "gold-based monetary system." He explained that "Japan is currently working out plans to use its dollar reserves for capital investment," in line with the EMS.

Global Convergence

The success of the summits unleashed a number of Soviet bloc and developing nations' actions to coordinate with the EMS initiatives:

- Authoritative sources at a European foreign ministry confirm that there is a Franco-West German-Italian agreement to bring the Soviets and Comecon Countries into the European Monetary Fund.

- Soviet Gosbank Chairman Alkhimov, the nation's top monetary official, called for "intensified cooperation with Western banks and especially central banks on monetary matters....including the fluctuations of precious metals prices," according to an article in the Soviet journal, *Foreign Trade*.

- Mexican Foreign Minister Santiago Roel is conducting a three-day session with Mexican embassy personnel in Europe to integrate Mexico into EMS planning. According to press accounts the highlight of the trip was the opening of negotiations with France for a swap of French nuclear technology for Mexican oil.

Meanwhile, Mexican Ambassador to France, Flores de la Pena, echoing certain European sentiments, said the time has come to replace the International Monetary Fund, not merely denounce it. The Mexican leader

commented, "(Nazi Finance Minister Hjalmar) Schacht's reputed success was justly rewarded with imprisonment, but those who followed him have won Nobel Prizes."

• At the Organization of African Unity summit meeting in Kartouhm Egyptian President Anwar Sadat presented a plan for economic development of the Nile basin including ports, river dredging, hydroelectric power, and irrigation.

• Simultaneously, Libya, Algeria, Tunisia, and Mauritania have begun in Paris negotiations for a "Maghreb Economic Federation" closely associated with the EC, and those who "seek to enter the Community" (Spain, Portugal, Greece and Turkey). The purpose is to facilitate credit and technology transfers.

• At Bonn, Japanese Prime Minister Fukuda and

President Carter held a meeting to discuss energy technology development. A joint U.S.-Japanese committee was established to cooperate in the development of the Japanese nuclear fusion test facility, the JT60, and the similar device in the U.S., the Tokamak at Princeton University. The Japanese had previously offered the U.S. \$500 million to speed the U.S. fusion effort.

Given these actions to "fill in" the details of the EMS initiatives, the British are increasingly limited in their options. Simply stated, they are: keeping the U.S. ignorant of the EMS Grand Design while the oligarchy searches for a way out, getting a stake on the rising gold prices, blowing up the Mideast into generalized war, and assassinating LaRouche.

—Leif Johnson

The Traitorous 'Free Enterprise' Campaign

Will the U.S. economy be the casualty of Adam Smith's economics?

An "Adam Smith" revival has been unloosed on the U.S., aimed at derailing American participation in the new gold-backed monetary arrangements and global development plans outlined at the Bremen and Bonn summits.

BUSINESS OUTLOOK

The public side of this operation is a media campaign pushing "free enterprise" and portraying any government intervention in the economy — including the sort of government-sponsored export drive presently required to save the dollar — as an unmitigated evil. The media blitz is to feature a 10-part "economics-made-easy" series on public television starring "conservative" economist Milton Friedman.

Less public is the complementary attempt to throw the U.S. economy into a recession via a precipitous credit crunch, and thereby sabotage U.S. participation in the emerging Grand Design.

The American Enterprise Institute, the "conservative" opposition to the "liberal" Brookings Institution, has opened an intensive new drive for \$60 million in funding for "free enterprise" professorships, institutions, and media attractions, promoting what is being billed as the "American economic system," such as the upcoming Friedman mis-educational series. According to the Sunday, July 17 *New York Times* business section, which gave the AEI drive prominent play, "critics of government intervention in the economy now dominate the intellectual debate" as a result of the backlash against Keynesian deficit spending. Numerous major corporations, who are understandably fed up with harassment by the Environmental Protection Agency, the Securities Exchange Commission, and other antibusiness government agencies, have already been

suckered into supporting the Adam Smith festivities.

The earnestness of the AEI's actual commitment to American prosperity may be gauged from two recent Institute studies. One attacked the nuclear breeder reactor as cost-inefficient, the second favored trucking industry deregulation and the bankrupting thereby of large sections of the U.S. trucking industry.

Right on cue, the July 17 *Wall Street Journal* expanded the Adam Smith *laissez-faire* campaign with a front-page tribute to Milton Friedman entitled "Man of Many Roles Now is a Tax Revolutionary" and citing Friedman's delight at the tax revolt hysteria which threatens to shut down municipal services across the country.

Friedman is the leader of the "Chicago School" of economics, which originated at the University of Chicago, a key center for the British penetration of U.S. intellectual life. Not as well known is the fact that Friedman's mentor, Wesley Mitchell, late director of the National Bureau of Economic Research, imbibed his economics at the British Fabian Society-influenced economics department of the University of Vienna during World War I sitting next to Nikolai Bukharin. While "Marxist" Bukharin moved on to oppose what he called "overinvestment, planning and centralization" in the Soviet Union, Mitchell tutored Friedman and Arthur Burns in "fiscal conservatism" (see below).

Authored by University of Chicago alumnus Lindley Clark, the *Journal* article quotes Friedman, the former economic adviser to the fascist Pinochet regime in Chile, smirking about the benefits of cutting out California summer schools following the passage of Proposition 13, and bragging about the proceeds of his personal foreign currency speculation against the dollar. ("Speculating against the U.S. government is almost a sure thing," says Friedman.) According to economics wizard Friedman, Washington presently has "no good options available," only recession now or hyperinflation and a worse recession later.

The Inflation versus Deflation Hoax

As leading organ for the "recession now" faction, the *Wall Street Journal* opened fire on Federal Reserve Chairman G. William Miller in its lead editorial July 17, "The Big Inflation Fight," charging that Miller is not doing enough to counter inflation. To drive its point home, the *Journal* selected figures that gave a greatly exaggerated impression of present rates of monetary growth. For the latest eight-week period (ending July 5) the M1 and M2 official measures of money supply were growing at a 6.4 and 8 percent annual rate respectively — not the great surge implied by the Friedmanites at the *Journal*. The *Journal* cited the 18.5 percent annual growth rate of the so-called monetary base in the four weeks ending July 5. This figure was distorted by beginning-of-quarter factors, and the monetary base itself is a category ignored by everyone but arch-Friedmanites.

Indeed, Miller did vote against the latest increase in the discount rate — under immense pressure from the pro-business faction in the Administration grouped around Special Trade Negotiator Robert Strauss. However, the Fed's Federal Open Market Committee voted to raise the Federal Funds rate another notch to 8 percent at its monthly meeting July 18, most money market economists have concluded. Numerous observers, such as former Council of Economic Advisers chief Alan Greenspan, expect the prime rate to keep ascending well into 1979.

If the *Wall Street Journal's* prescriptions for controlling inflation by cutting money supply growth are heeded, there is no question that the U.S. economy will be plunged into recession sooner rather than later. A slow-down in the increase in inflated dollar business sales in May together with other indications that consumers are becoming reluctant to take on more new debt are signals that the "consumer-based recovery" has outlived itself. And businesses are adjusting their inventories accordingly. In mid-July the Commerce Department reported that businesses had increased their inventories by only a weak 0.8 percent in May. The increase in volume of new construction contracts has already spent itself for the year, according to the F. W. Dodge division of McGraw Hill. Most of the projected 1978 gain has already occurred and the volume of construction contracts is expected to decline in the second half of the year.

Under these conditions, an indiscriminate tightening of credit and cut-back in government spending, federal and local, will ensure a deep recession.

Britain versus Japan

The main point that is being obfuscated by the orchestrated debate between the inflationists and the deflationists — Brookings versus the AEI — is that the whole debate is phony. There is nothing inherently inflationary about credit expansion and government spending, if it is appropriately directed.

If geared toward the production of tangible goods and investment in new plant and equipment and technology, credit creation and government spending are deflationary. This is the Japanese model, based on the ideas of Alexander Hamilton and the American Whig economist Henry Carey. Its opposite is credit creation to

finance acquisitions taking place in lieu of new capital spending, commodity speculation, debt rollovers, and the like — the Anglo-Dutch model. And that sort of credit creation is indeed inflationary.

The events around the Bonn summit make the point. U.S. businessmen who are falling for the Adam Smith revival ought to consider why it is that the Japanese and West Germans, who have continued to resist Brookings-type relation of their economies, are now planning to mobilize the hundreds of billions dollar overhang as development credits in what will be the greatest expansion of credit in history.

—Lydia Dittler

On Friedmanite and Bukharinite Snakes

Warren Hamerman, the U.S. Labor Party's Organizational Secretary, delivered a major address to the USLP National Convention July 1 in which he defined a species called "Bukharinite snakes." These creatures, Hamerman told the convention, are part of a British-inspired international network of anti-capital-investment "economists," some comporting themselves as "fiscal conservatives," others as "communists," but all bitterly opposed to progress.

Here are highlights from Hamerman's remarks:

...The oligarchic elites are fighting a world strategic battle in which they are deployed to prevent an alternative to the International Monetary Fund and World Bank in the world economy, or they're finished. That's what every one of their snakes in the United States, in the East, and in the developing sector is deployed to do. And these snakes, as we know, are highly imperfect instruments; they rely on the weakness of will among development-oriented forces at the critical moment.

Policymaking layers, nations, get bamboozled by the most obvious snake operations.

For example, do you know what the biggest opponent operation to the Grand Design in the Soviet Union has been in this century? It's "fiscal conservatism."

Milton Friedman's teacher and Bukharin (an early leader of the Bolshevik Party — ed.) sat in the same classroom at the University of Vienna in 1911-17....The Royal Dutch Shell-Hapsburg nexus in Vienna destroyed centuries of human culture. What has Vienna given us? Linguistics, logical positivism, atonal music, Heisenbergian economics, systems analysis, terrorism, and the Frankfurt School. It also gave us Milton Friedman, Arthur Burns, and Bukharin—literally.

Bukharin's books from 1911-14 described his experiences of going to classes, studying with Bohm-Bawerk, von Wieser, and this measles disease, von Mies. Trotsky had a few classes in Vienna too, and then came to New York with Bukharin.

What are Bukharin's writings aimed against?

Hamiltonian economics. His argument in these works, the ones he published while he was in the graduate school in Vienna, developed the following thesis: What's wrong with capitalism is that it creates a central capitalist state, which is like a super trust, which exploits the workers, robs their surplus, reinvests it into research and development, and gives it to the fat-cat industries, the industrial big-capital guys. Therefore, a true Bukharinite program is opposed to "over-investment, planning, and centralization." A true Bukharinite economic approach favors market equilibrium, not growth.

What was Bukharin's program? (1) Cut taxes. (2) Implement a two-tier credit policy—which penalizes industrialization, prevents capital-intensive agriculture, and favors labor-intensive and handicraft industries. This is what Rosa Luxemburg was battling. Bukharin writes that accumulation should not be through economic growth; rather, the way you accumulate is through commercial circulation and market changes. At all cost, he said, prevent the concentration of capital and industry from developing where it's not now. Like all graduates of Vienna, Bukharin quotes "liberally" from Aristotle, Bacon, Locke, Smith, and Mill.

What was Bukharin's role in the 1920s? Fighting against Rapallo (the USSR's 1922 economic pact with Germany), fighting for a zero-growth, anti-industrial development package, a Schachtian economic package, over which World War II was fought and not quite resolved yet.

What about Friedman? Friedman's teacher, Hayek, in the same World War I period was in the same classes at the University of Vienna. Then he went to the London School of Economics. From there he went to the

University of Chicago where he joined up with John Dewey, Thorstein Veblen, and Robert Hutchins. Some of his people came to New York and, in the 1930s, gave scholarships to two bright economics graduate students at Columbia, and brought them to the University of Chicago to study with the Fabian transplants.

What were their names? Arthur Burns and Milton Friedman. Bukharinites!...

It's the Friedmanites in the Soviet Union who are Brezhnev's problem. And it's the Bukharinites here who are our problem, and the Trotskyites, and so forth. There are other variants of the disease. People here know their zoology.

Keynes is a part of this Vienna circle. There goes every postwar economic history textbook assumption of the major debate between the Keynesians and the Friedmanites, and the Bukharinites. This is one operation.

The question is this: In the postwar period, in 1945, forty nations in the world were members of the IMF. Today, 160 nations are members of the IMF. How can they be nations, sovereign nations, unless they are organized around the notions of Hamiltonian economics, the founding principles, the humanist purpose of America, the notion of Platonic reason? How can you have economic development? You can have projects: one project here, another project there. But only a total, global approach, which puts aside the IMF and World Bank, and goes for a new institution through which industrial-technological transfer to the developing sector, East-West trade, a central economic planning institution to achieve your primary parameter requirements of accelerating rates of development of skilled labor on a world scale can guarantee national sovereignty...

An Anglo-Dutch Banking Crisis

British and Dutch banking institutions are desperately trying to ward off a liquidity crunch in the wake of the Bremen and Bonn summits' opposition to the highly speculative, highly-leveraged commitments of the Anglo-Dutch banks.

BANKING

On Monday, July 17 the Bank of England was forced to undertake emergency measures to prevent a liquidity crisis in England following the rise of call-money rates to 25 percent. A front-page bulletin in the following day's London *Financial Times* warned of "severe shortages of funds expected in the money markets over the next few weeks." To relieve this pressure, the Bank of England announced that banks would "be allowed to keep, for another seven weeks, some £440 of funds which were due to be paid to the Bank as special deposits next Monday" — an effective short-term injection of that amount of li-

quidity. Despite this palliative move, wire services on the evening of July 19 reported that call-money (overnight lending funds) attained rates as high as 25-34 percent that day, as institutions in Britain sought to cover their liabilities. As the *Financial Times* itself conceded, the Bank of England was concerned about "a potential squeeze on the reserve asset position of the banks. The market has already been experiencing a severe shortage of money The shortages are expected to persist for the next few weeks . . . and could cause unnecessary fluctuations in short-term interest rates."

What remains to be seen is whether the technical factors cited by the *Financial Times* — heavy sales of gilt-edged stocks and unusual government funding flows — suffice to account for the extraordinary liquidity shortage. Notorious for over a year, the Hambros merchant bank has been in difficulty due to its heavy position in shipping investments that have turned sour. The latest blow to Hambros came as the Norwegian Guaranty Board refused to underwrite any further of the

credit issuances in which the heavily Scandinavia-oriented Hambros group had been specializing.

A similar vulnerability in the secondary banking sector in the closely London-allied financial community of Holland is indicated by reports surrounding a legal suit brought against N.V. Slavenburg's Bank of Rotterdam, the sixth biggest in Holland. The Soviet Union's petroleum exporting agency is suing Slavenburg's, the JOC Oil Co., and the First Curacao International Bank for defaulting on \$101 million in payments owed for Soviet shipments of oil to JOC.

The Soviets have also filed charges of embezzlement and fraud against the three institutions in a Dutch court.

Slavenburg's claims it is only liable to the extent of \$5.6 million, that this amount has been paid, and that Slavenburg's has no connection to First Curacao. But according to the July 19 issue of the *Wall Street Journal*, from 1973 until March 1976 the chairman of First Curacao was the late Thijs Slavenburg, father of the current president and chief executive officer of Slavenburg's Bank, P. Slavenburg. Another member of the family, R. Slavenburg, was also involved in First Curacao until March 1977, and is now a general manager of Slavenburg's Bank.

What is indisputable is that both Britain and Holland, as the major foreign investors in the U.S. during the past three years, have been the principal beneficiaries of the collapse of the dollar. The banking institutions of both countries are believed to be heavily "short" against the dollar — betting on the dollar's further collapse. Both countries have been principal exponents of a policy of compulsory deflation in West Germany, to bail out their

own illiquid institutions.

The threat of devastating foreign exchange losses from failed gambling activities and the desire to loot two wealthier countries — the U.S. through asset-takeover and stripping, West Germany through reflating the deutschemerk to bail out Anglo-Dutch basket cases — explains the financial side of Anglo-Dutch hysteria over the success of the recent Bremen and Bonn summits.

Selling The U.S. For Profit

With West German and Japanese resistance to inflation demands running strong, the wild card the Anglo-Dutch conspirators still hope to play is their financial and political leverage in the U.S. On July 19, Britain's Barclays Bank International announced its intention to take over the Charlotte, N.C.-based American Credit Corp. Barclays will offer \$50 for each share of American Credit, which at the time of the Barclays announcement was selling for \$22.

In New York State, on the other hand, a strong resistance to further foreign bank takeovers in that state has developed in the wake of the acquisition of a controlling interest in Marine Midland by the Hong Kong and Shanghai Banking Corporation, the central bank for the world's opium traders. A bill, reportedly being pushed by the New York State Banking Superintendent Muriel Seibert, has just passed the State Assembly and is expected to be passed by the State Senate and signed by Governor Carey. The bill will give the Banking Superintendent strong powers to block foreign bank takeovers where deemed desirable.

— Richard Schulman

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Latest Results Show Fusion Is Feasible And Economical

Thermonuclear fusion has become front-page news in the past few weeks as a result of bold proposals from the Soviet Union and Japan for U.S. cooperation in a crash program to develop working fusion reactors in the next decade. In addition, Japan has kept a high profile for fusion at the Bonn meeting this week, stressing privately and in the West German press the importance of fusion research for meeting the world's energy needs.

In the report that follows, Charles B. Stevens of the Fusion Energy Foundation describes briefly what fusion energy is, what the major lines of research are, and what the latest research results tell us about its economic and scientific feasibility.

Mr. Stevens, director of fusion engineering studies for the FEF, is well known for his reporting work in the fusion field. A more detailed review of the status of fusion research by Mr. Stevens will appear in the August issue of the Foundation's magazine Fusion.

The world effort to harness the virtually inexhaustible source of energy available from nuclear fusion reactions has achieved steady and rapid progress in the last several years, with a high level of international scientific collaboration. Most exciting, recent experimental results indicate that the demonstration of scientific feasibility — getting more energy out of the fusion reaction than is necessary to initiate it — may be weeks away. In the

United States, Europe, Japan, and the Soviet Union engineers and scientists are now working on the basis of these latest laboratory results to produce a number of different designs for commercial fusion power plants that would be both economical and technologically feasible.

What is Fusion?

Fusion is the chief source of energy in the universe. The fusion of atomic nuclei is the process by which all the heavier elements we know on earth were built up from the simpler, lighter elements. Fusion is the basic source of the huge energy output of stars and of the sun — sunshine.

In the fusion reaction lighter elements like hydrogen fuse and form the nuclei of heavier elements like helium, plus energy. There is a net energy gain because some of the end-product nuclei weigh less than the nuclei of the input fuel.

Man first duplicated the high temperatures and high densities needed to ignite fusion in the early 1950s with the detonation of hydrogen bombs. But the practical utilization of this type of fusion energy is limited politically by the fact that it requires an atom bomb to generate the necessary temperatures and pressures. Research into other approaches to igniting the fusion reaction were initiated in the 1950s but ran into major scientific problems, for example, around the confinement of the fusion

Good News For The Fusion Budget

The U.S. fusion research budget was recently put into jeopardy by the attempts of Energy Secretary James Schlesinger and Deputy Secretary John O'Leary to axe fusion as an energy source. Now it appears to have weathered the crisis.

According to Washington sources in the Department of Energy, the fusion research budget for 1980 will be \$500 million — enough of an increase to keep up with inflation.

John M. Deutch, director of energy research for the Department, told the *Washington Post* this week that he foresees commercial fusion plants in the United States by the year 2005. Although this estimate seems conservative to fusion experts like those at the Fusion Energy Foundation, it is a far cry from Schlesinger's recent comments that fusion would not be feasible until the end of the 21st century.

The other good news has to do with the Japanese proposal to President Carter in May to fund joint fusion research to the tune of \$1 billion. Department of Energy

sources report that a detailed memorandum has been received from the Japanese Embassy on the scientific aspects of the collaboration, and that a meeting is set for August to discuss policy.

The Japanese have proposed that in the first year each country will put up \$100 million for the work in a number of projects. These projects range from ongoing mainline U.S. research — such as General Atomic's Doublet III in San Diego and Princeton's TFTR — to promising alternative lines of research that are not now funded in the United States, such as the stellarator and the Elmo bumpy torus. The Japanese also have on their list basic research in plasma physics, and work in areas like chemical processing that bear on fusion development. The Japanese have specifically noted that their fusion input is directed toward balancing the U.S. trade deficit.

According to department sources, both the laser office and the fusion office are enthusiastic about the proposal and are drafting positive replies.

reaction. These alternate approaches generally consist of directing relatively small amounts of intense electromagnetic energy onto minute amounts of fusion fuel.

The Two Basic Approaches

There are two basic approaches in the confinement of the fusion fuel while heating it to ignition temperatures. The first is *magnetic confinement* in which relatively diffuse fusion fuel is insulated and trapped with magnetic fields. The second approach, *inertial confinement*, is similar to the hydrogen bomb approach: The fusion fuel is driven to high densities and thereby undergoes significant amounts of fusion before "blowing up." (To picture this blow-up, think of the ignition of gasoline in the cylinder of an automobile engine.)

Both approaches use the two heavy isotopes of hydrogen, deuterium (D) and tritium (T), which have the lowest ignition temperature of any fusion fuel, about 50 to 100 million degrees Celsius. In order for net energy to be produced — that is, more energy than that invested in confining and heating the fusion fuel — the hydrogen fuel not only must be brought up to the ignition temperature, but also must be maintained at a specific density for a certain period of time. This confinement condition is generally expressed as the product of the confinement time times the number of hydrogen atoms per cubic centimeter, and it is equal to about 30 trillion atoms per cubic centimeter-seconds.

Laser Fusion

Inertial confinement, a relative newcomer to the fusion race, was initiated after the development of high power lasers and high-current-charged particle beams — electron and ion beam generators. The two largest lasers in the world that are carrying out fusion research today are the Shiva, a 24-beam neodymium glass laser at Lawrence Livermore Laboratory in California and the 8-beam carbon dioxide laser at the Los Alamos Laboratory in New Mexico. Shiva recently achieved a laser output of 26-trillion watts, and the 8-beam Los Alamos system reached a 22-trillion-watt output, more than twice the original specification of the 8-beam carbon dioxide laser design. (The 26-trillion-watt output, in one burst, is more energy than the total output of the entire world.)

Shiva has already produced a record number of fusion reactions, 1 billion, and is expected to produce a significant thermonuclear burn within the next year. To achieve a breakeven experiment will require upgrading Shiva to a 300-trillion-watt output, which could be completed by 1982.

Recent experimental tests and the surprising technological successes in the development of carbon dioxide gas lasers has led many scientists at Los Alamos to believe that carbon dioxide could go all the way to a commercial fusion electric power plant and do so in the 1980s — decades before all previous projections. The most recent results indicate that carbon dioxide laser light is absorbed just as efficiently as the shorter wavelength light from glass lasers. This is crucial, since it determines how efficient the laser beams are in inducing fusion.

Carbon dioxide lasers are also capable of achieving the minimal repetition rates and operating efficiencies needed for electric power plants.

The unexpectedly high power output of the 8-beam carbon dioxide laser means that the Los Alamos Laboratory can carry out crucial breakeven experiments in the near future, rather than having to wait until the 100-trillion-watt Antares carbon dioxide laser is completed in the early 1980s. In fact, Los Alamos scientists will begin to test laser fusion targets this fall that will demonstrate the key aspects of the dynamics of a breakeven experiment. In this way, they may achieve scientific feasibility without an actual breakeven experiment.

Electron Beam Fusion

Researchers at Sandia Laboratory in New Mexico report that they have begun to resolve many of the scientific and technological questions involved in the electron beam approach to inertial fusion.

The first electron-beam-induced fusion was accomplished by the Soviet researcher L. Rudakov in 1976, and the Soviets are building a breakeven electron beam experiment, the Angara V, which will come on line in the early 1980s.

U.S. researchers at Sandia followed up the Rudakov results by producing electron beam fusion using a new type of target. Developed in collaboration with the Livermore Laboratory, the target uses induced magnetic fields to enhance the confinement of the fusion fuel. Fusion experiments with Sandia's new electron beam machine, Proto II, have just begun, and Sandia scientists report that they will have significant results to report at the Colorado American Physical Society meeting in the fall.

Reactor designers at Sandia have completed a number of experimental and conceptual studies that show that the path to commercial electron beam fusion is far more technologically feasible than previously believed. Briefly, their results are as follows:

- *Transport of electron beams through laser-generated plasmas has been experimentally demonstrated. This would permit the electron beam generator to be placed a sufficient distance away from the fusion microexplosion so as not to be damaged.

- *Methods to increase the repetition rate at which electron beam machines can be fired have been developed and have been found to be economically feasible for commercial power plants.

- *A detailed, 100-megawatt electric prototype reactor design has been completed and would cost about \$200 million to build.

Magnetic Confinement

The most successful and most researched fusion device is the tokamak, a donut-shaped magnetic bottle designed by the Soviets.

In 1976, researchers working on the Alcator tokamak at the Massachusetts Institute of Technology reached the minimum breakeven confinement criteria of 30 trillion atoms per cubic centimeter-seconds at a temperature of about 10 million degrees. A follow-up experiment, the Alcator C, is now being fired up and is projected to get well beyond these minimum breakeven confinement criteria within the next year.

Additional methods of heating tokamaks to approach fusion temperatures are being explored on the original

Alcator, and recent results using microwaves appear to be successfully achieving this, in what is termed the lower hybrid mode. Further tests on the Alcator with microwave heating will receive a powerful impetus when a new 8-megawatt microwave generator, recently obtained from the U.S. Air Force, is hooked up. Previous Alcator experiments with microwave heating were measured in thousands of watts, and 8 million watts of microwaves could bring Alcator plasmas into the fusion temperature range needed for reactors.

Scientists at the Princeton Plasma Physics Laboratory working on the world's largest tokamak, the PLT, also report recent successes. The Princeton PLT has successfully begun operation with neutral beam injectors for heating fusion fuel to fusion temperatures, and these experiments could demonstrate the most important scientific dynamics of fusion plasmas in tokamaks within the next few weeks.

These initial results will be publicly announced at the International Atomic Energy Agency meeting on fusion to be held at Innsbruck, Austria August 23.

Tokamak Reactor Studies

Tokamaks have been severely — but unfairly — criticized as impractical candidates for commercial power plants. The critics say that tokamaks would lead to large, complex power plants that would be uneconomical and technologically difficult to perfect. However, the latest reactor designs based on the most recent experimental data demonstrate that this is not the case.

The most important of these designs is the University of Wisconsin Nuclear Engineering Department's NUWMAK tokamak, the latest design in the famous UWMAK tokamak series. Dr. R.W. Conn, leader of the Wisconsin group, reported recently that the NUWMAK design study demonstrates that "a medium field tokamak . . . can have high power density, a high degree of modularity, and moderate size." According to reports presented to the Santa Fe fusion technology meeting in May, NUWMAK would generate 600 megawatts of electrical power (a little more than half of the output of conventional nuclear fission reactors) with a power

density of 10 megawatts per cubic meter.

The innovative features in the NUWMAK design are as follows:

- *A single boiling water heat loop for driving the steam generator.

- *The use of a solid lithium-lead eutectic for tritium breeding and thermal energy storage.

- *The use of conventional copper magnets, together with superconducting magnets, to permit ready access to the reactor core for repairs.

- *The modular cassette design of reactor components, creating economies in construction and repairs and permitting remote handling of reactor components.

- *Overall, this design is a natural extension of the moderate field line of tokamaks such as the Princeton TFTR.

Fusion Economics

Since the fuel for fusion is virtually free, the chief cost projected for fusion reactors that will produce electricity is the capital cost of building the reactors. Because of scientific uncertainties, the original fusion reactor designs in the early 1970s were based on building gargantuan 5000-megawatt thermal power plants the size of the Astrodome — obviously costly. However, the significant experimental and engineering design progress in the last few years has greatly improved these projected designs to the point that fusion power plants would be about the same size as existing fission systems and have capital costs in the same range as fission reactors.

In particular, the University of Wisconsin fusion engineering team has developed the NUWMAK, discussed above, which would be about twice the size of the Princeton TFTR experimental tokamak and would generate 660 megawatts of electricity (2000 megawatts thermal). Although the economic studies of NUWMAK's capital cost are still in process, it appears that the total capital cost would be close to that of conventional nuclear fission plants. Needless to say, this cost prediction demolishes one of the chief arguments used by the opponents of fusion development.

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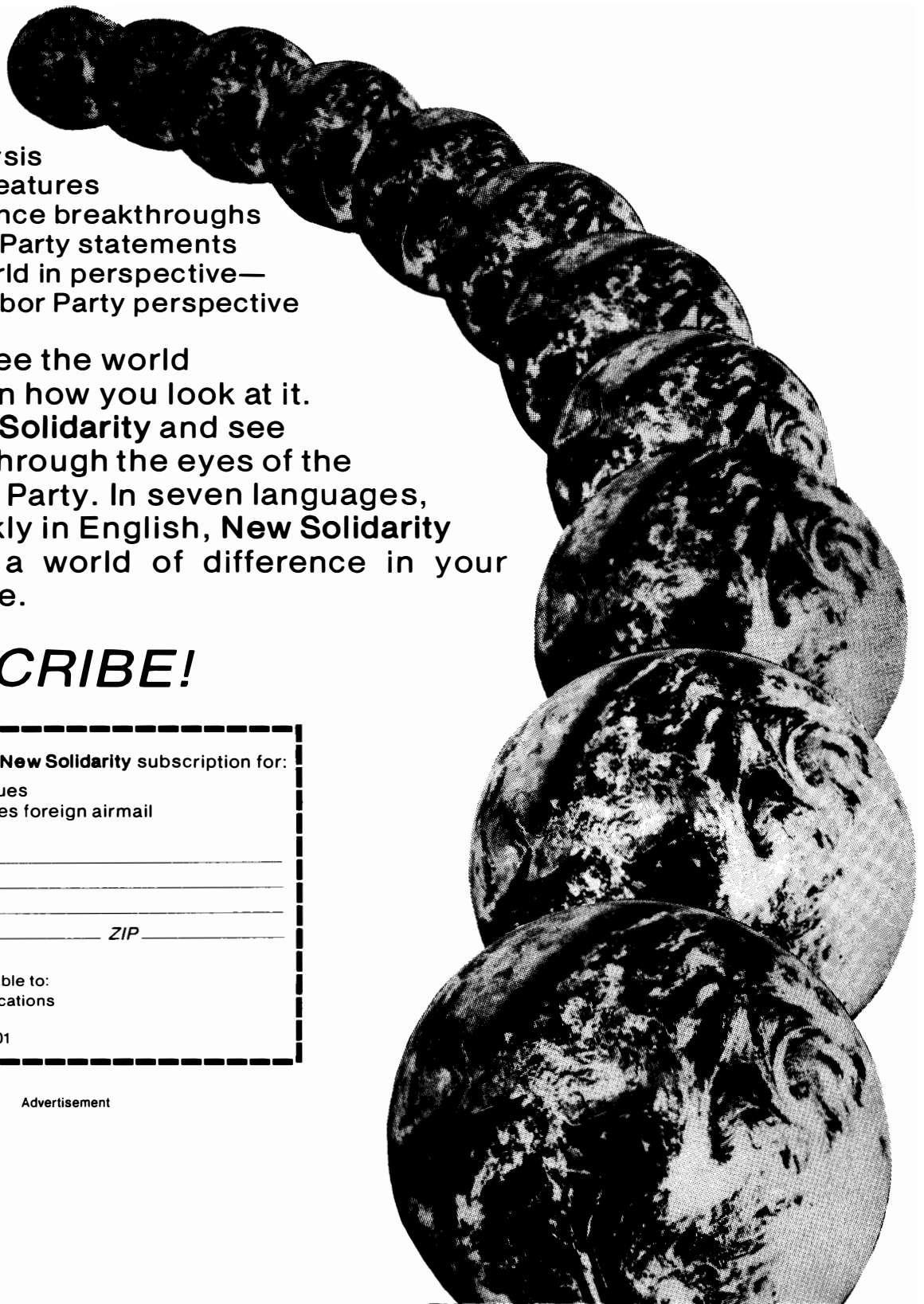
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The Assassination Plot Against LaRouche

The unfolding anatomy of a terrorist activation

Using the city of Detroit as a paradigm, U.S. Labor Party counterintelligence expert Paul Goldstein outlines in the following article how a terrorist apparatus was developed through a variety of liberal funding conduits, and deployed to assassinate U.S. Labor Party Chairman Lyndon H. LaRouche. Goldstein's article originally appeared in New Solidarity July 21.

At this moment, U.S. Labor Party headquarters in New York City has in its possession corroborated evidence of a nationwide plot to assassinate the party's Presidential candidate, Lyndon H. LaRouche, Jr.

The evidence indicates that this plot is the opening foray of the European-style terrorist wave which has long been predicted for the United States by London's "terrorism experts." But the timing of this wave of terror confirms that it is a counteroffensive to prevent the U.S. from joining the Grand Design policies emerging out of the Bremen and Bonn summits — policies which were formulated nearly three and a half years ago by Lyndon LaRouche in his widely circulated International Development Bank (IDB) proposal. It is precisely because of LaRouche's IDB and its impact on the Bonn Summit that the political forces associated with the Black Guelph-British oligarchy, including the Zionist Lobby's B'nai B'rith Anti-Defamation League, the Second International-run United Auto Workers of America, the terrorist-supporting National Lawyers Guild, and, such left-wing countergangs as the self-styled "Communist Labor Party," are aiming to eliminate LaRouche.

Security officials of various governments and private agencies have been presented with the material that follows, and have generally concurred with the U.S. Labor Party's evaluation that such a terrorist deployment is underway on three levels:

On the first level, a nationwide pattern of intensive surveillance of LaRouche's activities has been ongoing since as early as July 6, 1978. This surveillance has involved "street" elements associated with anarchist, Maoist, and black nationalist cults under the control of the Anti-Defamation League, the United Auto Workers and the Washington, D.C.-based Institute for Policy Studies.

On the second level, a top-down pressure campaign has been launched to isolate LaRouche from key supporters within particular industrial, corporate, and related political networks.

On the third level, known terrorist networks have set into motion — either to perpetrate the actual assassination, or to act as the "cover" for an operation conducted by professional "hit teams."

Prior to July 6, personnel from the U.S. Labor Party's Executive Protection section began to pick up evidence

of surveillance on party Chairman LaRouche. Although there were no indications that an assassination operation was underway at that time, the personnel initiated an investigation and systematically gridded every incident of surveillance.

On July 6, at 3:00 pm, the first surveillance was spotted as LaRouche was returning from a meeting with banking officials in New York City. The surveillance vehicle was a blue Chevrolet van bearing Michigan license plates. Inside the van there were two men and one woman.

Five days later, at Chicago's O'Hare Airport, a man wearing either binoculars or a telescopic camera was seen surveilling USLP security personnel about one hour prior to LaRouche's arrival in Chicago. Police could not identify the individual in question and by the time USLP personnel attempted to reach the suspect he had disappeared.

On July 14, two days before LaRouche was to stop in Detroit, a USLP security officer was followed to the hotel where reservations were being made for the candidate. The individual following the security officer was a white, 50-55 year old male with a German-Jewish accent, who asked a series of questions about LaRouche. When queried about his interest in LaRouche, the person left, only to be spotted again tailing the security officer.

By the time LaRouche arrived in Detroit, another surveillance car was spotted following the LaRouche entourage from the airport. The car tailing LaRouche was a 1959 Plymouth Valiant with a middle aged white driver.

On Sunday, July 16, the day of LaRouche's public appearance at Detroit's Veterans' Memorial Hall, two vehicles arrived at the hall five minutes apart. The first car, a 1978 Chrysler LeBaron bearing Michigan license plates entered the driveway of Veterans' Hall and parked horizontally, deliberately blocking the entrance. Upon investigation, the license plates were found to be registered to a 1969 Ford two-door sedan, not the Chrysler. A black man in his early twenties wearing sneakers and ragged clothes emerged from the car and ran as fast as he could to an unknown destination.

A second vehicle, a battered blue and white Ford van with unidentifiable license plates, then pulled up into the exit portion of the same driveway, blocking it. A uniformed Detroit police officer requested that the driver remove the vehicle. The driver, a light-skinned black in his early twenties refused, at which point the police officer was forced to draw his revolver compelling the individual to leave the exit area.

Fortunately, due to a slight delay at the hotel, the LaRouche arrival was forestalled for 10-15 minutes, and the two cars were unable to block the candidate's vehicle from safely entering the hall's driveway.

This use of cars and vans to trap the target's car in the street conforms exactly to the characteristic modus operandi of terrorist hits like the kidnapping of West German industrialist Hanns-Martin Schleyer and former Italian Premier Aldo Moro. Every professional security official contacted fully agrees with this evaluation of this last incident.

The final episode that took place in Detroit occurred on Monday, July 17: after a meeting at a restaurant, three large vans tailed the car carrying LaRouche.

The U.S. Labor Party has documented evidence, including material released to the party under the Freedom of Information Act, showing that LaRouche has been under the threat of assassination since 1974. The initial attempt was conducted by British intelligence-controlled "left CIA" networks including elements of the Institute for Policy Studies (IPS), the Communist Party USA, and certain Warsaw Pact intelligence agencies contaminated by Britain's Secret Intelligence Service.

In the summer of 1977, at the same time that West German banker Jürgen Ponto was murdered by members of the Baader-Meinhof gang, the Labor Party was informed by members of American and European intelligence agencies that the Baader-Meinhof had a "hit list" which included LaRouche along with several other major political and financial figures. Countermeasures and broad publication of the Labor Party's evidence of British intelligence control of the Baader-Meinhof protected LaRouche at that time. A less well-protected Hanns-Martin Schleyer was killed by the Baader-Meinhof later that fall.

The Labor Party has determined that now several of the same left-cover groups which were involved in the 1974 operations, plus British-controlled U.S. rightist groups like the Ku Klux Klan and Robert DePugh's Minutemen, have been mobilized for possible assassination attempts.

It should also not be excluded that special "hit teams"

Francis M. Watson Caught In Plot Against LaRouche

This statement was released on July 20 by the U.S. Labor Party's security division in New York.

The U.S. Labor Party has caught known intelligence operative Francis M. Watson of the Rockford College Institute red-handed in preparations against USLP National Chairman and 1980 presidential candidate Lyndon H. LaRouche. According to a highly informed source in the U.S. business community, Watson is traveling around the country meeting with banking, corporate and other officials briefing them that the USLP is a terrorist organization.

This particular operation conforms precisely with a recently escalating pattern of incidents within the business community designed to discredit LaRouche and isolate the Labor Party leader from his political supporters. The modus operandi is to create a climate of opinion within U.S. leadership layers that LaRouche and the USLP are involved in violent activity; if an assassination is carried out, there will then be an attempt to explain it away as part of the violent atmosphere around the organization.

Watson has authored a 24-page report published and circulated through the Heritage Foundation. The report is a compendium of past slanders and attacks on the USLP taken mainly from the Institute for Policy Studies-CounterSpy publications and the *New York Times* and *Washington Post*. This report has been funnelled into congressional offices in Washington, D.C. as part of the operation. It was published in June 1978 under the Heritage Foundation political science series No. 7, *The Institution Analysis*. The Heritage Foundation is a conservative think tank located in Washington, D.C. through which many well-intentioned conservatives express their political views.

However, many of the individuals on the Heritage

Foundation's board of directors, and the editorial board of the foundation's Policy Review journal are British intelligence operatives and members of the London based International Institute for Strategic Studies. This makes the fact of British control of Watson's operation more than clear. A careful gridding and cross-referencing of the recent activities of Heritage Foundation personalities, such as Mr. Watson, points to their involvement in the British directed attempt to stop LaRouche and the USLP from implementing the Bremen and Bonn Summit programs for a new world monetary system which LaRouche proposed three years ago.

This sabotage operation began prior to July 1 on the eve of the Bremen Summit, when key London-allied New York investment banks realized what policies would emerge from the Bremen and Bonn summits. The British are taking steps to eliminate LaRouche from the international political arena because they understand the integral relationship between LaRouche's activities in Europe over the past 18 months, and the decision by European banking, industrial and government circles to move at Bonn and Bremen for a program that will destroy the City of London's political and financial control over world monetary policies.

It should be noted in this connection that the recent activities of Henry Kissinger in Chicago, George Meyers of Standard Oil of Indiana, Lord Dennis Greenhill of British Petroleum and others are part of the same deployment against LaRouche. The Labor Party calls upon all businessmen, bankers, corporate and trade union officials to come forward with information concerning the activities of these men and individuals like Watson who are not only out to assassinate LaRouche, but to destroy the vital interests of the United States.

of Israeli intelligence (Shin Beth) circles would execute the operation. The motivation of Israeli Shin Beth, or factions within it, for attempting to murder LaRouche should be seen in the context of the role which the Zionist Lobby networks in Israel and the U.S. play for the British aristocracy in the latter's attempt to disrupt the Grand Design policies by triggering another Mideast war. It is known that certain top-level businessmen connected to the B'nai B'rith have requested Israeli intelligence to deploy special squads to the U.S. to "handle" so-called "anti-semitic" groups and individuals

In coordination with this activation, individuals with whom LaRouche was to meet have been contacted and pressured into cancelling their meetings. People have been told, for instance, that "LaRouche has no political base." This is purely an attempt to give the "cover of credibility" to any assassination: "LaRouche was isolated and knocked off by some nut group with whom he had political differences."

In this context, the name of Henry Kissinger has repeatedly surfaced. Kissinger, the British oligarchs' instrument, was recently in Chicago at the same time as LaRouche and is known to have met with key corporate and banking officials to "gently" dissuade them from meeting with LaRouche. It is the same Henry Kissinger who collaborates with Max Fisher, a Zionist Lobby agent operating in Detroit through the New Detroit and B'nai B'rith. Fisher, in turn, knows the terrorist and assassination apparatus in the Detroit area quite well.

This point is vital! If any trade unionist, industrialist, scientist, engineer, or corporate executive has been so telephoned or told directly to "stay away from LaRouche," then he or she must understand that this call is part of an attempt to isolate and murder LaRouche.

The following are the details of the conspiracy as it is now known; this information has been forwarded to relevant law enforcement and intelligence agencies.

Upon a carefully conducted investigation with the aid of private security agencies, the individuals first spotted in New York City were later traced to be connected with the Labor-Community Interfaith Coalition Against the Nazis.

This umbrella organization, which houses such groups as the National Lawyers Guild, the "Communist Labor Party," the Jewish Community Council and is headed by an ex-UAW official from Local 600, has been involved in a series of contrived violent "left" versus "right" confrontations in Detroit. Several persons were either stabbed or beaten as a result of these incidents. Additionally, the investigation so far has turned up a bookstore called the Ableman's Bookstore, which intersects the above individuals and organizations. Some of the key figures are members of the Detroit Common Council and radical lawyers directly connected to the terrorist CounterSpy organization now going under the name Repression Information Project. The Lawyers Guild collaborates with the Committee to Stop Government Spying, a self-styled liberal group designed to impede law enforcement.

CounterSpy, an organization set up to help dismantle the CIA's anti-terror capability, was the prime vehicle for profiling and carrying out the assassination of Richard Welch, the CIA Station Chief in Athens in 1975.

The RIP and its CounterSpy predecessor had published a pamphlet called the *NCLC: Brownshirts of the 70s* with a prominent picture of NCLC chairman Lyndon LaRouche with a swastika superimposed on the cover. Since that time, three publications have been widely distributed throughout these left countergang networks, with one entire publication dedicated to the *NCLC: America's Largest Political Intelligence Army*. It is known that the RIP-CounterSpy group has set up a monitoring operation across the country on the USLP.

In Seattle, the Left Bank Bookstore run by an avowed terrorist and George Jackson Brigade supporter, Paul Zinsel, whose daughter is currently in the Weatherunderground organization, has formed over a year ago the "Coalition to Stop the USLP," which has not only attempted physical assaults against members of the USLP but has threatened Lyndon LaRouche personally. Recently, Zinsel sent a fundraising letter to the liberal-left community citing the Coalition to Stop the USLP as one of his political activities — activities which fall under the heading of "anti-Nazi activity."

The connections to the right-wing or ostensibly the conservative side of this profiling and monitoring operation is channelled through the John Birch Society, Richard Viguerie's operation and the Heritage Foundation. In June 1978, the Heritage Foundation published a 24-page compendium of black propaganda against the USLP and specifically targeting LaRouche with most of the 34 footnotes coming from the CounterSpy, Repression Information Project and assorted left-right publications including the Washington Post and New York Times slanders.

A full circle is then drawn back to the Detroit side of the operation.

Why Detroit was chosen as the battleground for carrying out the assassination is explainable in the following terms. Since the 1967 riots, Detroit has been turned into one of the most vicious examples of what British-inspired counterinsurgency methods organized through corrupted banking, corporate and union organizations can do against the population and its industrial base. Out of the riots emerged a series of organizations which incorporated this apparatus that housed many of the aforementioned institutions, namely New Detroit.

New Detroit was the front for key banking circles, the United Auto Workers, the B'nai B'rith-Anti-Defamation League, and industrial concerns including the Ford Motor Company, which was gulled into the operation.

By 1969, a group of black workers with legal assistance from a black lawyer named Ken Cockrel formed the League of Revolutionary Black Workers which was itself formed out of the various "wildcat strike" committees that originated in the auto plants. The funding for this came from New Detroit, the Central Methodist Church, and other "liberal" contributors. These committees were known as the Dodge Revolutionary Union Movement (DRUM); Eldon Gear and Axle RUM (ELRUM) and so forth.

Along with Cockrel, the key individuals in the League were John Watson, Mike Hamlin, and General G. Baker. Watson later traveled to Italy under the auspices of the

Rabinowitz Foundation which funds CounterSpy-IPS and "laundered" through such pro-terrorist organizations as Lotta Continua. Lotta Continua serves today as one of the key recruiting grounds for the homicidal Red Brigades. Mike Hamlin later split with the League of Revolutionary Black Workers to form another pseudo-organization called the Black Workers Congress which joined hands with an avowed terrorist organization, the Nov. 4th Coalition which planned the attempt to turn the July 4, 1976 Bicentennial celebration into a terrorist spectacle. The other figure is General G. Baker, a young hoodlum from Highland Park, Michigan who formed a "Communist League" cell at the Chrysler Jefferson plant in 1970 and who is now the upfront "organizer" of the "Communist Labor Party."

Cockrel, who had top security clearance from the Air Force and who was most likely in Air Force intelligence, gained notoriety during the early 1970s. In 1971-72 Cockrel defended young black youths who had assassinated Detroit policemen ostensibly as a response to the special police squads known as STRESS (Stop The Robberies; Enjoy Safe Streets), a special "death squad" unit set up by Ford Foundation agent and now president of the Police Foundation Patrick Murphy. Murphy was brought to Detroit in 1970 to reorganize the police along the lines that New Detroit-LEAA programs demanded.

By 1972, Cockrel along with his girlfriend Sheila Murphy, a member of Saul Alinsky's West Side organization, were also running the "new left" side of the apparatus called the Motor City Labor League, an umbrella organization that contained several anti-war groups, but more significantly community control organizations that were running prison reform programs. During this period, Cockrel received a \$10,000 check from New Detroit to aid his terrorist endeavors.

One of the key individuals involved in this aspect of creating the terrorist operation was Les Biederman and his wife Bonnie, both currently members of the "Communist Labor Party" and the Anti-Nazi coalition. Biederman is a professor at Oakland Community College where he teaches in the Sociology department and in the past was the coordinator of the group Control, Conflict and Change (CCC). His sociology class and the CCC acted as a recruiting ground for many "exoffenders," who were released from Jackson State prison and local halfway houses, and then funnelled into the "Communist Labor Party."

Part of this halfway house network was the religious sect called the Baha'i House in Farmington, a Detroit suburb, where many of the former offenders and drug addicts were funnelled. According to police reports, this house was raided several times and large drug caches were found that linked the house to the major Latin American drug running operation. The Baha'i sect itself was a 19th century creation of Sir Richard Burton, the Colonial Office agent and translator of the "Arabian Nights" as one of the various British synthetic religions used for running covert intelligence operations.

In order to protect these networks from the crackdowns that were being carried out by legitimate police agencies, the UAW-ADL and its "new left-grassroots"

organizations ran Institute for Policy Studies and former CIA operative Justin Ravitz for the Detroit Records Court, the city municipal court. Ravitz, a supposedly avowed "Marxist-Leninist," won the election in 1972 with funding and backing from the UAW and ADL.

Ravitz and his chief cohort Ken Cockrel remain prominent in the political situation in Detroit. Cockrel in 1977 was elected to the Common Council with funding from Avern Cohn, a partner in Max Fisher's hired law firm. Avern Cohn is one of the top UAW-Democratic party operatives who have especially targeted the USLP and its supporters for political harassment and financial warfare. After a stint as Mayor Coleman Young's Treasurer for his reelection campaign, Cohn was placed on the Detroit Crime Commission to run a counteroperation against USLP organizing against the terror apparatus.

The other leading figure with connections to international terrorism is Hugh "Buck" Davis, a top National Lawyers Guild attorney and controller over the Communist Labor Party. Davis brags publicly about his terrorist connections in Mexico and France and proclaims openly his direct connections to the CounterSpy apparatus. Davis's law partner and another top NLG attorney, Ron Glotta, formed an electoral committee called "Lawyers for Baker."

"Lawyers for Baker" is a funding conduit for the campaign for election to the Michigan state legislature of General Baker, the nominal head of the "Communist Labor Party." Not accidentally the current head of the Anti-Defamation League, Lobenthal, gave a significant contribution to the General Baker's campaign for State Representative in 1976.

This is the same funding conduit used to channel money into the Labor-Community Interfaith Council Against the Nazis, which also gets a sizable amount of money from the Michigan UAW Community Action program. The Michigan Community Action Program is headed up by an individual named Sam Fishman, a close associate of Avern Cohn and Max Fisher.

It is this apparatus and network which has been carrying out the surveillance of LaRouche. It is this organized conspiracy of financiers, and their agents in the trade unions and "left" and "right" organizations which are conducting the blackmail and harassment campaign against corporate executives who seek to ally with the economic development program that came out of Bremen and Bonn. The same network now has UAW president Doug Fraser announcing a program of "class war" against the corporations at a press conference in Washington, D.D. on July 19. It is the same operation that the oligarchist forces — the Black Guelphs — have historically utilized to stop Neoplatonic city-building policies. This kind of manipulative rabble was used to destroy the prohumanist forces in France after the successful establishment of the American humanist republic in the late 18th century and is now being used as expendable instruments for destroying the city-building forces in the United States.

The U.S. Labor Party calls upon Congress, the Department of Justice, law enforcement agencies, corporate executives, and trade unions to demand an investigation into the plot to assassinate LaRouche.

Bonn Debate Sparks Italian Political Shift

"The Summit meeting of the heads of state of the seven most industrialized Western countries concluded yesterday with an agreement . . . to undertake concerted action in support of economic development," reported *Unita* on July 18, and the Bremen agreements for the creation of a European Monetary System will strengthen the efficiency of the Bonn agreements.

In earlier coverage of the Bremen-Bonn meetings *Unita* had strongly and favorably suggested an alliance between British Premier Callaghan and Italy's Premier Andreotti. (For details, see our last issue.) But now the Communist paper happily reports the great friendship and mutual understanding and collaboration between Andreotti and West German Chancellor Schmidt. The close coordination between Andreotti and Schmidt was seen in Italy's pledging full allegiance to the European Monetary System and re-stating its commitment to implement its nuclear program.

The change in the PCI's posture reflects the ongoing fight over economic and industrial policy within the party. While the neoliberal, British-oriented wing of the PCI, associated with Secretariat member Giorgio Napolitano, demands labor-intensive agricultural

projects *without industry* for southern Italy, a proindustrial faction around Central Committee and Directorate member Napoleone Colajanni has stepped forward over the past week to lead a fight for central government planning of the economy and technological expansion.

Speaking at several PCI and workers' meetings throughout the country, as well as in several press statements, Colajanni, who is also president of the Senate Budget Commission, has identified those both outside and, significantly, *inside* the PCI and the trade unions who oppose program planning and the implementation of the government's industrial reconversion law, as "enemies of the working class." "Colajanni," reported *Corriere della Sera* July 16, "one of the Communist leaders who has more actively participated in drafting the industrial reconversion law . . . and the planning policy which must come out of it, intends to lead a fight so that the law is implemented." In a speech to the Lombardian PCI, continued *Corriere*, Colajanni "took up the fight against those within the PCI and the trade unions who refuse to accept the coherence required by program planning."

The PCI's 'Science Of Austerity'

The following resumé of the PCI proposal, printed as Proposta di progetto a medio termine, Editori Rinniti, Rome, 1977, comes from an analysis of City of London control over Italy's "economists" written by the director of the Executive Intelligence Review's Milan bureau, Muriel Mirak.

The background to the Italian Communist Party's earlier attacks on the Bremen accords is, simply, that while the majority of Communist Party cadres are kept ignorant of even the ABCs of political economy, the PCI's top "experts" are all the direct or indirect products of the London School of Economics. The most notorious of these, and currently the most powerful, is PCI Directorate member Giorgio Napolitano, who recently toured the U.S. as a guest of the New York Council on Foreign Relations.

Napolitano is the guiding spirit of the "medium-term program proposal" drafted by the Communist Party in late 1976 when the Andreotti government began to take shape and prospects were heightened, for a government not only in the national interest, but also including the PCI in the majority. The "medium-term program proposal" project mobilized a dozen PCI experts under the auspices of the party's economic studies center, CFSPE. Their stated objective was to "clarify (the

PCI's) concept of austerity, their view of what they consider the necessary choice of an austerity policy."

According to Napolitano's "science of austerity":

Austerity is an undeniable necessity to face the current economic difficulties. Therefore there is no alternative to it. But in our conception austerity does not constitute a temporary expedient, a brief period of painful sacrifices to then return to earlier directions; it is not a momentary reduction of levels of consumption which are conceived of as immutable; rather, it is a proposal intended to change, along the lines of a precise program, the mode of functioning and the social ends of the economic mechanism, the orientation of investments, of production and of public spending, the very quality of consumption, and to therefore affect the lifestyles connected to these, the cultural and behavioral models of entire sectors of Italian society. (page 21)

The medium-term proposal's "industrial policy" revolves exclusively around job creation in the backward Mezzogiorno region:

There is no mechanical relationship between growth in investments and development of jobs. The development of employment is not automatically assured by any old growth in investments; an increase in production and productivity of large enterprises which is based on direct, labor-saving investments, may increase the crisis of unemployment... (page 68)

As far as the development of jobs in industry goes, it appears to be obtainable through:

1) a drastic change in the shape of investments above all in the Mezzogiorno, from basic production (chemicals, steel, nonferrous metals) to derived and secondary production. Not only do the latter present higher employment levels — more value-added — but they are also higher-skilled jobs and therefore correspond more to the new characteristics of the available workforce. (page 69)

Coherent with the proposed deindustrialization is the labor policy of the “medium-term proposal”: mobility of the labor force, part-time employment for youth, and the absorption of unemployed women, while adult workers in heavy manufacturing industries are recycled into unemployment or light industries, under the fabrication that such jobs require higher skills!

The funds to finance this program are to come from cuts in social services and increases in direct taxation, coupled with an enlarged bureaucracy to ward off tax evasion. Home care should increasingly replace hospitalization for the ill and aged (page 94-95); compulsory education should be extended to age 15, but one year is to be cut off high school training (pp. 81-83). To prevent inflationary trends from arising from public spending for make-work employment, Napolitano specifies “the need to adopt immediate measures of reduction of consumption in energy and other imported products.”

The PCI program claims “the complete independence of the fundamental choices upon which the orientation of our country’s economic and social development rests. (page 40) However, when it comes down to actual financing, the truth comes out that Napolitano subjects the Italian economy to the dictates of the International Monetary Fund:

Considering that the expansion of total credit is subject for the time being to ties of economic policy both internal and international, it is essential that the overall finance flows of the system be subjected to rigorous planning.... (page 58)

Since Italian subject to the IMF looting constitutes the *real* thrust of the pseudo-program, it should come as no surprise that the text ends with unashamed acclamation of that institution:

It is in fact urgent to proceed to a true reform of the international monetary system, founded on equality of rights and duties of all the countries and inspired by the need to furnish the necessary liquidity to develop the weakest economies. To that end, it is urgent to proceed with the increase in the quotas of individual members of the International Monetary Fund, as well as with the new issuance of Special Drawing Rights, assuring at the same time a true democratization of the functioning of the greatest international monetary mechanism. (page 122)

Africa Undertakes Bonn Strategy For Development

Egypt presents Nile plan to OAU as hot spots cool

Egyptian Minister of State for Foreign Affairs Dr. Butrus Ghali, speaking at the Foreign Ministers' meeting of the Organization of African Unity in Khartoum, Sudan on July 9, announced the creation of an organization of African states for the purpose of rapid

AFRICA

and comprehensive development of the Nile River valley.

With Ghali's announcement, the government of Egyptian President Anwar Sadat has publicly transmitted to Africa Europe's Grand Design for peace through global economic development.

Egypt's initiative is one of several by African states, undertaken in cooperation with Western Europe and some American leaders, to settle longstanding and divisive disputes on the continent and to move quickly to activate in Africa the vast development initiatives for Africa first outlined at the beginning of May by West German Chancellor Helmut Schmidt and Soviet President Leonid Brezhnev at their historic meeting in Bonn.

The preliminary settlement of the Namibia question, a cease-fire in the desert war in Mauritania, and a rapprochement between Angola and Zaire — all accomplished over the past two weeks — had major positive effects on the OAU summit and paved the way for an enthusiastic reception to Egypt's development proposal. *New York Times* reports to the contrary,

From July 19 OAU summit speech by Nigerian head of state Olesgun Obasanjo:

Obasanjo asserted that the Soviets "were invited into Africa for a purpose," and in every case of Cuban intervention "they intervened as a consequence of failure of Western policies and on behalf of legitimate African interests."

London-directed maneuvers to split the OAU into warring "pro-West" and "pro-Soviet" blocs during the course of the conference failed completely.

The OAU summit, ending deliberations in Khartoum on July 21, passed a resolution affirming any African country's sovereign right to appeal for assistance to a foreign power if its territory or independence is threatened. Another resolution to expel Cuba from the Non-Aligned Movement, entered by Somalia (in response to Cuba's military intervention to defend Ethiopia from a Somali invasion last year) was ruled out of order and dropped. In sum, the two votes effectively undercut London's efforts to stir up a controversy over the issue of the presence of Cuban troops and advisors in Angola and Ethiopia. Speeches delivered by African heads of state, such as Nigeria's Obasanjo, by-passed this theme in favor of an emphasis on their desire for nonalignment in order to allow concentration on Africa's top priority, economic development.

1. Egypt's Initiatives To Stabilize Northeast Africa

Both Egypt and Ethiopia are undertaking development-based initiatives to bring peace to northeast Africa and introduce Western Europe's Grand Design to the region. For Egypt this involves a dramatic public shift away from its former hard-line position against Cuban and Soviet influence in Africa and reconciliations with Ethiopia and Angola, both formerly accused by Egypt of acting as "Soviet puppets." At the same time, France's President Giscard d'Estaing is applying pressure to isolate or neutralize Ethiopia's enemy, Somalia, while reopening Western ties to Ethiopia.

On July 9 Egyptian Minister of State for Foreign Affairs Dr. Butrus Ghali announced the creation of a seven-state organization for the development of the entire Nile River valley, emphasizing the importance of this organization in reducing tensions in the area. According to Egyptian radio, Dr. Ghali announced in Khartoum, Sudan, at the Foreign Ministers meeting of the Organization of African Unity that Egypt, Ethiopia, Kenya, Rwanda, the Sudan, Uganda, and Zaire are to meet in Kampala, Uganda, in the near future to plan

projects all along the river. These include reservoirs, power plants, canals, dredging for navigation, and the expansion of irrigated agriculture.

Dr. Ghali emphasized that "African states, despite some disputes, can cooperate effectively in fields of development." He added that the organization expects loans from Arab countries and "African financial sources." European funds could be invested through these African channels.

Egypt also joined a general move to isolate the expansionist regime of Somalia, whose territorial claim to half of Ethiopia led to a war with that country last year in which Egypt supported Somalia. In response to a Somali proposal to the OAU Foreign Ministers to back the expulsion of Cuba from the Non Aligned Movement (which was ruled out of order), Dr. Ghali told reporters that rather than defend or condemn Soviet and Cuban influence in Africa, Egypt prefers to eradicate the causes for any foreign military intervention in Africa.

Ethiopia is moving to improve its relations with Western Europe and the United States and settle their confrontation with neighboring Somalia, which last year invaded Ethiopia. Significantly, French President Giscard is planning to meet with a high-level Ethiopian delegation in the near future. In a meeting last week in Paris, he publicly pressured Somali President Mohammed Siad Barre to enter into peace negotiations with Ethiopia, suggesting in an after-dinner toast before French Ministers and businessmen that Siad deeply desires peace and should agree to a peace conference.

Egypt has also agreed to improve relations with the People's Republic of Angola in an announcement from Cairo last week, scant months after sending military aid to Zaire in its dispute against Angola.

An Ethiopian Diplomat's Assessment

In a July 13 interview, an Ethiopian diplomat in Western Europe expressed his country's desire to re-establish ties with "our traditional ally, the United States. We have established good relations with the East, but we want friends on both sides." Outlining Ethiopia's plans for the future, the diplomat said that Ethiopia is developing "excellent relations with the European Economic Community," from whom they get considerable development assistance. "We have been deluged by German firms," he added, "proposing development plans for the whole region. . . but these ideas are being blocked by Somalia's behavior."

He expressed confidence, however, that the U.S., France, and West Germany would "step up pressure" on Somali President Mohammed Siad Barre to renounce his territorial claims to Ethiopia's Ogaden region and Kenya's Northern Province. He stressed that not only is Somalia isolated in its aggression, but President Siad and his clique is isolated inside Somalia. "Wherever there are Ethiopian and Somali diplomatic delegations," he said, "they are close friends."

2. North Africa, Mauritania, And Franco-Algerian Rapprochement

In a July 15 interview in the Paris daily *Le Matin*, Tunisian Prime Minister Hedi Nouira declared his country's support for the creation of a Euro-Mediterranean community incorporating the European Economic Community, the Maghreb (North African) countries, and the border Mediterranean countries of Spain, Portugal, Greece, and Turkey. To facilitate such an accord, Algerian Foreign Minister Bouteflika met with Tunisian President Habib Bourguiba during a July 12 state visit to Paris to discuss the formation of a Maghreb confederation to institutionalize North African economic cooperation.

The emergence of a global grid of development projects for Africa has provided the basis for Algeria and France to resolve diplomatic differences. Until now, the Franco-Algerian conflict, aggravated by Algeria's support for the Polisario so-called liberation group, has been one of the main stumbling blocks to expanded trade and industrial development projects from Europe to its North African neighbors.

In an extraordinary July 14 national holiday message to the French nation, Algerian President Houari Boumediene invited French President Giscard d'Estaing to set aside past differences in the interests of a future and secure stability between the two nations. "I am expressing the firm conviction that the interests which exist between Algeria and France," said Boumediene, "and which — above and beyond differences — relate to the nature of things, will push us to bring to this cooperation those resources which our two countries are far from exhausting, the dimension of a trusting and efficacious dialogue, so necessary to the deepening of Franco-Algerian relations and so useful to the furthering of justice, peace, and stability in the region."

The Algerian daily *El Moudjahid*, in front-page coverage, praised the successful July 12 Paris talks between Foreign Minister Bouteflika and the French President. Emerging from the talks, Bouteflika said that both countries had agreed on the need to restore "regional stability" and to work for a negotiated settlement to the Polisario question.

Only weeks ago, the Algerian press had carried bitter attacks on French "neocolonialist" designs on northwest Africa and criticized the French government for its refusal to recognize the Polisario Liberation Front's claims to the former Spanish Sahara. Demanding a separate state, the Algerian-backed Polisario declared war on Morocco and Mauritania, who partitioned that part of the Sahara upon Spanish departure in 1975.

Franco-Algerian relations hit a low point last year when Mauritania asked for French air support in curbing guerrilla attacks on its iron ore complex at Zouerate — the country's only source of revenue.

The Franco-Algerian breakthrough was preceded by a coup in which the ailing Mauritanian regime of President Ould Daddah was replaced by a solid pro-French military faction. Greeting the government change as

"good news," the Polisario has declared an "immediate ceasefire as a gesture of good will to the new regime."

At the head of Mauritania's new military "Committee for National Rehabilitation" is Mustapha Ould Salek, a conservative who lost out in a power struggle with ousted President Ould Daddah in the 1970s because of his overt pro-French policies. In addition to maintaining traditional ties with Morocco and Saudi Arabia, the Paris daily *Le Figaro* reported in its July 13 issue, the new government desired to enlist Moroccan support in drawing up a "working agenda which would eventually lead to the peace process."

Regional Economic Cooperation

The resolution of the Polisario conflict will allow the impoverished Mauritanian government to "rehabilitate the war-weary economy" which under the previous regime had slipped into total bankruptcy. Mauritania is rich in iron ore, and, backed by Saudi Arabian and Libyan funding, the government is planning to open a second mining project in addition to expanding its Zouerate facility.

These plans to further mineral exploitation in the area take place at a time when the Moroccans have signed a 20-year contract with the Soviet Union for phosphate development. From all indications, the Algerian government is very anxious to join in this development bonanza, especially since Algeria has not been able to develop its own iron ore reserves in the southwestern region of Tindouf because of the regional political deadlock. According to *Le Figaro* commentator Paul Marie de la Gorce in a July 17 editorial, Algeria is amenable to negotiating a settlement of the Polisario affair "because of particular interests" — that is, economic development.

The Algerian government has recently signed a major contract with the American Bechtel Corporation for the exploitation of its huge iron ore deposits in the Tindouf region. Plans have already been drawn up for the construction of a railroad linking Tindouf to the Atlantic Ocean via the Spanish Sahara.

These moves toward a regional economic development schema have been spurred by the opening of the historic Trans-Sahara route which links Mediterranean Algeria to the Sahara. Forking at Tamanrasset in southern Algeria, the road branches toward the neighboring countries of Niger and Mali and represents for these landlocked and poverty wracked countries a major link with the outside world. The route, nicknamed the "uranium road," will eventually be used to haul this resource to European and world markets.

3. Angola And Zaire Move To Entente

The May 1978 British and Belgian coordinated "Shaba II" invasion of Zaire has not led to International Monetary Fund dictatorships in Zaire, Zambia, and Angola. Nor has it sparked the East-West confrontation which the U.S. National Security Advisor Zbigniew

Brzezinski, Henry Kissinger and the British Tories had clamored for. Ironically, the net effect of that invasion has been the solidification of an Angolan-Zaire entente backed by West Germany, France, the United States State Department, Cuba, the Soviet Union and Portugal, with support from elements in the Republic of South Africa as well as the majority of black Africa.

Angola's President Agostinho Neto and Zaire's President Mobutu Sese Seko met in Congo-Brazzaville the weekend before their attendance at the Khartoum OAU summit. In addition to formalizing their agreement on restraining divisive guerrilla forces, and on prisoner exchanges, they announced plans to reopen the Benguela Railroad to the Angolan port of Lobito.

The importance of the Benguela reopening is that it serves as a major route for copper export from both Zaire and Zambia. These two nations are under severe pressure to turn over their sovereignty over domestic economic policy-making to the International Monetary Fund and have both adopted strict austerity measures in an attempt to reduce their crippling deficits. Although technical and military difficulties must be dealt with before the Benguela resumes operation, this announcement will stiffen resistance to austerity as a development-vectored policy is prepared.

An integral part of this entente is the possibility of a peaceful, United Nations-supervised transition to independence for Namibia (Southwest Africa). On July 12, after two days of meetings in Luanda, Angola, between Sam Nujoma, the leader of the SWAPO (Southwest Africa People's Organization) and representatives of the United States, the Federal Republic of Germany, Canada, France, and Great Britain, it was announced

Brzezinski Line Dismissed

Time magazine's July 17 issue finally admitted that the Brzezinski line on Cuban involvement in the Shaba province invasion had been discredited by diplomats and intelligence experts.

Neto and Castro are apparently determined to see that there will be no Shaba III in the near future. As veterans of the Shaba invasion cross the border back into Angola, they are being intercepted by Neto's troops and stripped of their weapons. . . .

Neto thereby raised an awkward question: If his army could disarm the Katangese on their way home, why could it not have blocked the invasion in the first place? The answer may be that Neto tried then to use persuasion rather than military force but found he had insufficient influence on the exiles, who have carved out a semiautonomous zone for themselves in north-eastern Angola.

Diplomatic and intelligence experts now generally agree that neither Castro nor Neto wanted the Katangese to invade Zaire when they did. . . .

that Sam Nujoma had agreed to present a plan for settlement to the United Nations Security Council.

This startling turnaround in southern Africa was arranged through diplomatic activity which began during the Shaba invasion.

Mobutu and Zairean radio reacted to the Belgian military activity in Shaba by denouncing the Belgians for their ties to the invaders and for being the cause of all of Zaire's major difficulties.

On June 9, Angola's President Neto publicly appealed to Zaire to eliminate the poison between Angola and Zaire. He unilaterally announced that he was disarming and relocating anti-Mobutu populations in Angola. This policy of pacifying the area has been in operation since that time. He appealed to Mobutu to reciprocate by cutting off aid to anti-Angolan forces. The ground had been prepared for this peace initiative by President Kenneth Kaunda of Zambia who had visited both Neto and Mobutu the previous week.

It is now known that Neto and his ally, Cuba's Prime Minister Fidel Castro, had been in contact with the United States State Department during this same period. They requested meetings to discuss their charges that Brzezinski had "misinformed" Carter in blaming them for the Shaba invasion. On June 21, the State Department announced that Donald McHenry, aide to United Nations Ambassador Andrew Young, would visit Luanda to meet with Angolan officials. He negotiated the kind of deal that should serve as a model for all international relations. The Angolans offered to support peace in Namibia in exchange for Western support of peace with Zaire.

This deal may now open the way for a peaceful solution to the remaining South African hot spots, the Republic of South Africa and Rhodesia. South African Foreign

Minister Roelof Botha hailed the Namibia agreement, saying it "would herald a new era in Southern Africa — something which the people of this sub-continent would all welcome." A front-line states diplomat said that everyone wants Namibia settled quickly and that "the role of the Germans was critical in obtaining the Namibia settlement."

L'Aurore:

Young's Policy Debate Wins

The following are excerpts from an exclusive article that appeared in the July 2 conservative daily L'Aurore, authored by Philippe Bernert. While Bernert complains that the current developments in Africa, and specifically around Angola, constitute a "Mini-Yalta," the article nevertheless provides a noteworthy overview of current moves for peace in the region.

The West has just taken a decisive turn on the African question, and more particularly on the Angolan problem. . . . In Washington, the party of conciliation, of the peaceful solution, has won with Andrew Young... and Cyrus Vance. Within days, an entire political-strategic combination has been swept away. This particularly spectacular reversal of programs implies new directives for the entire West, and the establishment of links of a new type with certain African Marxist states. . . .

This is how it will be determined, between diplomats, industrialists, leaders, if peace is still possible, or if, according to the Cassandra cries of President Senghor or King Hassan II, World War III has already started.

Neto: Peace and Development

Following is a translation of portions of Angolan President Agostinho Neto's nationally televised July 9 speech to the Angolan population:

. . . The Angolan State has not trained, has not armed any army, nor organized any expedition against Zaire.

Our Soviet and Cuban allies have not intervened in any way whatsoever in Angolan territory to provoke a rebellion.

This fact (the rebellion), however, did not prevent our manifesting the desire that has always led us to maintain normal friendly relations with our neighbors. Thus, to all those who solicited us, formal guarantees of protection were given — to Belgian, French citizens or whatever other nationality that may have ventured to seek the route of Angola to return to their countries. . . .

It was decided — and long before the rebellion in Zaire — to transfer close to 250,000 refugees located in the provinces of Lunda and Moxico away from the areas bordering on Shaba. The wounded as well as all others who enter Angola will be transferred to refugee camps far from the border if they desire to remain in our country.

Those who arrive from Zaire with arms will be systematically disarmed and taken to refugee camps. In sum, the right to asylum is guaranteed to everyone by the People's Republic of Angola. We believe we can thus alleviate the apprehensions of the Zairean government concerning the possibilities of attacks launched from Angola.

I also take this opportunity to make an appeal to Zaire to withdraw to the other side of the border the bands of the "FNLA," the "FLEC," and "UNITA," as well as the mercenaries, who carry out constant attacks against our territory, undoubtedly with the knowledge of the authorities of that neighboring country.

The People's Republic of Angola does not meddle in the internal affairs of other countries, whether their regimes appeal to us or not. We therefore seek relations of friendship and cooperation particularly with those adjacent to us. And if good relations between Angola and Zaire are necessary for the peace and development of this region of Africa, it is necessary to eliminate the causes of tensions. . . .

Thanks to exclusive information, we are in a position to reveal that the Western countries concerned with the African problem are ready to definitively recognize the pro-Soviet regime of Luanda and renounce any more support, in one way or another, for the UNITA grouping of Jonas Savimbi and the FNLA of Roberto Holden. . . . To negotiate a détente which it thinks is still possible, the West would sacrifice its allies. Marxist Angola, plagued by considerable economic difficulties, would warmly welcome Western financial aid which would permit it to resist collapse. Thus recognized, reassured and reinforced by the West itself, rid of its adversaries, President Neto would, on his side, make certain concessions. He would reduce the SWAPO to silence. . . He would reopen the Atlantic Benguela railroad route, transporting copper from Zambia and from Zaire. France itself would obtain exclusive oil exploration permits in Angola. . . .

What is being drawn up is an extraordinary attempt at peaceful coexistence between Western interests and Marxist ideology. . . . Technicians from the Western world will soon be elbow to elbow with specialists from the East bloc countries. Western equipment will reinforce a communist beach-head in Africa. In exchange for a promise: the projected attack against Namibia, forward line of South Africa, will not occur. A kind of insurance policy against an invasion. . . .

On June 20 Andrew Young's direct assistant, Donald MacHenry, arrived in Luanda. Secret conversations have already taken place in a United Nations office in New York between Andrew Young and Angolan Foreign Affairs Minister Paulo Jorge.

Americans and Angolans are preparing a reconciliation between Presidents Neto and Mobutu. The Shaba affair will be erased. . . .

Also remarkable is the summit meeting between Portuguese Chief of State General Eanes and Marxist President Neto, under the auspices of the President of

Guinea-Bissau, Luis Cabral. How was Eanes... able to start up normal relations with Neto? "Very simply," explains a high official, "because the Americans asked him to. Portugal must play a key role in the Western plan. Eanes has promised Neto considerable financial support. But Portugal is too poor for such an adventure..."

In fact, these accords are guided by the United States, which does not want to appear as the new lenders to Angola. Portugal will constitute a relay.

And this is not all: the entirety of Western financial circles is moving into this breach, deciding to invest in Angola in order to neutralize that "powder keg" which could blow up South Africa. . . .

In greatest secrecy, France and Angola have already had talks on the reconciliation between Angola and Zaire... (Even though) recently, and notably in May 1978, Paris had put together, with the chief of UNITA, Jonas Savimbi, who came specially to France, a vast guerrilla and sabotage campaign in Angola. . . . But by mid-June everything was cancelled and Savimbi found himself left in the lurch. . . .

In this immense balancing act, France rejoined the other Western countries and (discretely) renounced becoming the gendarme of Africa. The Angolan Ambassador to Brussels, de Almeida — more than a diplomat, a political man of the highest rank — came to Paris to meet several French leaders, including Foreign Affairs Minister de Guiringaud. They talked oil, and understood each other perfectly. Ambassador de Almeida also contacted one of his best friends, Claude Cheysson, the Frenchman who is European Commissioner for Development Aid, and had him invited by the Angolan government. Invitation accepted. . . .

Even South Africa is moving in behind the will for détente manifested by the West. . . .

Israel Faces Geneva

Dayan, Sharon plot war to halt growth of peace faction in Israel

The diplomacy of Egyptian President Anwar Sadat has sparked the severest political crisis in Israeli history.

For the first time since the early 1950s, there are signs of an emerging peace coalition inside Israel, comprised of important military personalities, the fledgling "Peace

THE MIDEAST

Now" movement, the Sephardic Jewish community, and some Israeli political parties like Mapam. According to authoritative sources, in the coming months this coali-

tion will be pulled together by several prominent politicians in Israel to become a powerful new force on the Israeli scene. The program of the group, sometimes explicitly enunciated and sometimes only hinted at, is for Israel to announce its willingness to talk to the Palestine Liberation Organization.

In addition, there is overwhelming evidence that this emerging peace coalition is backed directly by American intelligence and the Pentagon.

Increasingly, over the coming period, Israeli politics will be defined by a polarization on the issues raised by the peace movement. The government of Menachem Begin's Likud bloc is severely isolated and, in the opinion

Who's Who In Israel

Party	Individuals	Alignment
HERUT	Menachem Begin Yakov Meridor Yitzhak Shamir	Ultra hardline, prowar faction backed by Black Guelph monarchy and Baron Edmond de Rothschild
SHLOMZION	Ariel Sharon	
LA'AM	Yigal Horowitz	
(Independent)	Moshe Dayan	
LIBERAL	Simcha Erlich	"Separate peace" faction backed by the Second International, the London Rothschilds, the City of London, and the Kennedy-Mondale Democrats
HERUT (Independent)	Ezer Weizman	
DEMOCRATIC MOVEMENT FOR CHANGE	Yigal Yadin Meir Amit	
LABOR	Shimon Peres Yitzhak Rabin Yigal Allon Abba Eban	
MAPAM		American-backed Israeli political-military faction supporting negotiations with the PLO, fast-growing
"PEACE NOW"		
Sephardic Jewish bloc		
Israeli Arabs		

of many political analysts, is almost certain to fall soon. Already, signs of disintegration are apparent.

However, the core of militarists and extremists inside the government intend to cling to their position of power, despite the tide of opposition they face. In fact, it is considered highly possible by American intelligence sources, the State Department, and other political analysts that this faction, led by General Moshe Dayan and General Ariel Sharon, may choose to precipitate a full-scale war in the Middle East.

The hawkish faction, which controls an ever smaller majority in the Cabinet and a very shaky position in the Knesset, Israel's parliament, is made up of the following individuals and parties: **Moshe Dayan**, the Foreign Minister; **Prime Minister Begin**, who is "led around by the nose" by Dayan, according to Defense Minister Ezer Weizman; **General Ariel Sharon**, the Minister of Agriculture, a wild extremist who has been a collaborator of Dayan's since the 1950s when he headed the terrorist Brigade 101. Also included are **Industry Minister Yigal Horowitz**, who besides being Dayan's brother-in-law leads the La'am faction of Likud, to which Dayan once belonged; and the "old boys" of the **Herut movement**, Begin's veteran terrorists from the Irgun paramilitary party of the 1940s.

It is this faction, with supporters in leading spots in the military and intelligence establishment, which is seeking to provoke a war with Syria by fueling the crisis in Lebanon. Dayan's view, as is widely known in Israeli circles, is that the Arabs are *incapable* of making peace, and therefore Israel must be prepared to go to war time and time again to destroy Arab war potential before it can threaten Israel. At present, the Syrian Army is the only force threatening Israel, and the Dayan-Sharon faction would love a pretext to launch a lightning preemptive strike against Syrian military and industrial targets.

Over the years, Dayan has built up close connections with the Mediterranean network of underground fascists such as the EOKA-B of Cyprus, the Falangists in Lebanon, the OAS (Secret Army Organization) rightists in France, ultraright Moslem groups in Egypt, Franz Josef Strauss's ex-Nazi Bavarians, and the Turkish neo-Nazi movement of Colonel Türkös.

It is this network which provides the chief threat to disrupt ongoing efforts to establish a long-term peace and security policy based on development.

Begin Disintegrating

But under the pressure of Sadat's diplomacy and with international efforts by the U.S., USSR, France, and other states to quarantine the Israeli threat, the Begin coalition has begun to come apart at the seams.

The chief rebel is Defense Minister Weizman. Weizman, a maverick in Likud, disagrees violently with the strategy of Begin and Dayan. Whereas Begin and Dayan intend to make no compromise with the Arabs, Weizman is prepared to propose "fig-leaf" concessions to Sadat in order to achieve a false separate peace with Egypt. In Weizman's view, such a peace could establish an alliance between Israel and Egypt that could become the foundation for a NATO-style anticommunist bloc in the Middle East including Saudi Arabia and Iran.

Under the guidance of Vice-President Walter Mondale, Weizman has struck a deal with opposition leader Shimon Peres, who announced — only hours after meeting with Mondale during his visit to Israel last month — that he, Peres, would be willing to join a government led by Weizman as Prime Minister. Since that time, Peres and Weizman have tightened their ties to the London-centered Second International movement of Bruno Kreisky and Willy Brandt.

Moreover, Weizman and Peres are wooing the Democratic Movement for Change, a new political party that is a member of Begin's coalition. The DMC is a hodgepodge of Army intelligence division veterans led by Yigal Yadin and Meir Amit, two intelligence-oriented generals. The DMC holds an important balance of power in the government.

Finally, amid threats by the DMC to withdraw from the government coalition, Finance Minister Simcha Erlich's Liberal Party, one of the constituent elements of the Likud, is threatening to leave the government as well. The Liberals have close ties to the DMC.

Thus, an alternate power center is emerging, backed by London. It includes the Liberals, La'am, the DMC, the opposition Labor Party led by Peres, and Weizman. This

is the city of London's faction in competition with the American-supported bloc emerging around Peace Now. It is a hybrid of these two factions that will inherit the government when Begin is forced out.

Government Crisis

The existence of a government crisis is obvious. In the aftermath of the Egypt-Israel talks in England this week, a shouting match and insult-slinging contest broke out in the Knesset, with Peres calling Begin a "drunk" and Begin ridiculing the opposition.

Earlier, in a near-hysterical diatribe, Begin lashed out: "The leaders of Egypt do not cease defaming me. This time, unlike my habit, I shall turn a deaf ear. In the world, a campaign is being waged for my resignation. I am being termed an obstacle to peace. I am indeed an obstacle, an obstacle to capitulation, together with my colleagues in the government, the Knesset, the faction, and the movement."

Begin's wrath has nearly wrecked any chance of talks. Last week, in Austria, Sadat summoned Weizman to meet with him, and handed Weizman some new Egyptian proposals; reportedly, the proposals contained a new concession by allowing Israel to maintain a military presence on the occupied West Bank even after it reverts to Arab sovereignty. Incredibly, Begin and Dayan did not even allow Weizman to present the new Egyptian ideas at the Israeli Cabinet meeting when Weizman returned, instead ramming through a declaration that henceforth Sadat would not be permitted to meet Weizman, but only Begin!

Two days later, when Dayan met Foreign Minister Kamel of Egypt in England, at talks set up by Secretary of State Cyrus Vance, the talks were a fiasco. Dayan flatly refused to negotiate.

Weizman, reportedly "extremely angry" over the snub by the Cabinet, stormed out of the meeting, later ripping down a peace poster from Begin's office and complaining, "This government does not want peace."

— Robert Dreyfuss

Israeli Government Polarized

According to a highly knowledgeable American intelligence source, the situation inside Israel has reached the point where one faction is rapidly moving toward a major regional provocation, at the same time that an effective national movement for peace is about to crystalize around a well-known and respected Israeli military leader. Here are his comments from an interview last week.

Powerful tendencies exist in Israel that believe Israel should go right up to the tripwire in Lebanon, to provoke Syria into war. Part of the reason for this thinking has to do with the recent developments in Bonn, but more important as an impulse is that Israel intensely wishes to avoid American pressure from coming down. Linked to this is a long-standing and widespread hatred among certain Israel strategic planners for the Syrian armed

forces. They would love to take the Syrian army on; they simply do not trust Syria.

I am convinced that these Israelis, some of whom are now in the Cabinet in the tendency around (Agriculture Minister) Sharon, are developing a scenario to give Syria a thrashing, to set the Syrian army back five or 10 years. These Israelis are seeking a provocation, so that Syria will give Israel a pretext on the Golan Heights to move against Syria and mop up the Syrians for a long time.

This is viewed by the Israelis as a quick operation. These people are extremely irresponsible, and would ignore American warnings not to act. They think they can strike with such lightning force that the Soviets would be unable to make a countermove.

From first-hand evidence, I know that such a scenario is being discussed actively in private circles in Israel, as well as in some official circles. Various scenarios are being felt out, and this 'strike at Syria' scenario has become a possibility.

The "Peace Now" movement in Israel is important and will become more important. It is backed by some Israeli military people. There are many full colonels involved and even a few brigadier generals. These people are quite political, and some are well known, names that are generally familiar.

Quite soon, I can say with confidence, a major political figure will emerge to pull together the Peace Now movement, the Sephardic Jewish dissident tendencies, key Israeli Arabs, and so on. The identity of this person can't be divulged, but he will be a person who is already widely recognized and important. This potentiality, added to the representation of retired military people in the movement, makes Peace Now solidly based and credible.

"Laying Mines For Weizman"

In a July 7 commentary in the newspaper Davar, the organ of the Histadrut Labour confederation, reporter Dani Rubinstein had the following insights into this Cabinet-level battle:

... Among the leaders who are working hard to find faults in the minister of defence and his policy are Minister Yig'al Horowitz, who is doing so with much greater devotion than the Herut movement's guardians of the walls (the Herut movement is the majority group in the Likud composed largely of members fiercely loyal to Prime Minister Menachem Begin — ed.)

At the head of those laying mines for Ezer Weisman is Minister of Agriculture Ariel Sharon, whose complex wiliness has become famous among that cabinet ministers. Ever since the affair of the Gush Emunim settlements nearly a year ago, Sharon has been trying in his usual way to carry out his will in the (occupied) territories and to undermine Weizman's status and authority.... The Gush Emunim people say that Sharon is their only friend in the cabinet, and that he is helping them all along the way with strategems and every other kind of aid, while they come up against difficulties in their contacts with all the other ministers, including the prime minister.

After detailing Sharon's attempts to undermine

Weizman's handling of the situation on the occupied West Bank territory, Rubinstein adds:

Those who speak evil behind the defence minister's back are hinting that the latest terror actions by terrorists from the territories . . . are the direct results of Ezer Weizman's policy of "appeasement." . . . Those close to the Defense Minister do not like it when reference is made to Ezer Weizman's popularity among the Arabs or — and the matters are, of course, connected — in the camp of the doves in Israel.

Dayan Attacked By Labourites

A crucial moment in this fight was an attack by dove Parliament member Yossi Sarid on Dayan's handling of the Egypt-Israel negotiations several months ago in Ismailia, Egypt. The story is reported in Davar of July 10:

If the broad public in the country only knew about Moshe Dayan's share in the talks in Ismailia, they would emphatically protest against his going to the talks in

London, MK Yossi Sarid, a member of the Knesset Foreign Affairs and Security Committee, said in a lecture he gave on Sunday at the Milo Club in Tel Aviv.

Sarid added that when Ezer Weizman said that the Foreign Minister had been "leading the cabinet by the nose for the last seven months," Weizman knew very well what he was saying, and what he mainly meant was the negative and destructive part played by Dayan at the Ismailia meeting.

When, sooner or later, all the details of that meeting are revealed, it will be made plain to everyone that the foreign minister had a decisive share in the fact that the desired moment was missed in Ismailia.

According to the Jerusalem Domestic Service July 12; Dayan answered these and related charges from leading Labour Party people by charging that the opposition party "was abandoning its principles of territorial compromise and was slowly adopting the positions of the Arabs and the Americans."

Why Proposition 13 Is Unconstitutional

The documented legal case against fiscal conservatism

Excerpted here is a brief filed by the U.S. Labor Party as amicus curiae (friend of the court) in the legal challenge by counties, municipalities, and school districts to the constitutionality of California's Proposition 13 tax limitation measure. In the brief, Labor Party attorneys Neil Eisenberg and James Appelbaum argue that Proposition 13 (also known as the Jarvis Initiative) violates the fundamental guarantees of the U.S. Constitution and the California Constitution by undermining the ability of government to assure continued economic growth and development.

The challenge to the California initiative includes three petitioners accepted by the State Supreme Court, and a number of amicus curiae both for and against the initiative. The Labor Party's amicus brief is unique, however, in that it goes beyond the technical deficiencies of Proposition 13 under California law, and reaches the fundamental constitutional questions applicable in each state where similar measures are proposed, and which must be considered by the U.S. Supreme Court if the challenge to the California measure is appealed to that body.

It is well recognized as a constitutional principle that the state has an obligation to provide an appropriate level of services to the population. Measures of simple fiscal conservatism, undermining government's ability to provide the conditions necessary to generate wealth, therefore threaten the very existence of our republican form of government. On that basis, the Labor Party argues, they must fail any constitutional test.

By leave of this Court, the U.S. Labor Party files this brief as amicus curiae.

On June 6, 1978 in the California General Election, the State's voters approved Proposition 13 (the Jarvis Initiative). Proposition 13 mandates a reduction in local property tax levels, alters the basis for property assessment, forbids all new state taxation without a two-thirds vote of the State Legislature, and mandates all new local taxation be ratified by a two-thirds vote of the qualified electorate. . . .

SUMMARY OF ARGUMENT

The U.S. Labor Party as *amicus curiae* herein joins in the position of the petitioners that the Jarvis Initiative is unconstitutional and should be enjoined from enforcement. The Initiative undermines and destroys the very foundations of a constitutional state government — its ability to provide adequately for the health, safety and

welfare of its citizens; and its ability to insure continued economic growth and development.

The United States Constitution was framed to create a government, unique among western republics, based on a fundamental commitment to progress. Benjamin Franklin, George Washington and Alexander Hamilton all believed that universal natural law required government to insure the conditions for economic growth, scientific development and a productive citizenry. The constitutions of the several states reflect that commitment. The ability of government to insure the health, safety and welfare of the citizenry, the basic constitutional guarantees for progress, depends upon government fostering economic growth and thereby broadening its tax base. This requires a productive, skilled population.

The Jarvis Initiative, therefore, is not a mere proposition defining a legislative policy or action for the state — such as a specific measure to encourage the development of nuclear power within the state, a policy proposal to insure the provision of low cost credits for industrial expansion, or a specific plan for irrigation improvements to extend agriculture. The Jarvis Initiative cuts at the heart of government's taxing power, its ability to raise revenue to provide public service benefits and to insure continued economic growth. Under the guise of tax reform, the Jarvis Initiative drastically damages the very basis of government's ability to carry out its duties.

Although it is appropriate to reform the tax system, establishing a progressive taxation based upon generating increased revenues, this is not the intent or the effect of the Jarvis Initiative. The Initiative undermines the state's ability to meet its duties to the people, effectively causing the collapse of government.

The resources for advanced technology in agriculture, electronics and aerospace; the crucial educational facilities, the scientific research capabilities of the state of California determine its unique importance, not only to the economy of the United States, but to world scientific and economic development as a whole. These resources depend upon the level of public services provided by the state to maintain the productivity and creativity of its people. The very existence of state government rests upon its ability to provide these necessary public services. It is already quite clear that the Jarvis Initiative makes the fulfilment of that obligation by the state impossible.

It would be clearly unconstitutional for the state legislature to pass measures causing its own collapse or dissolution, or the dissolution of the other branches of government. Such measures are equally unconstitutional

when they are enacted by the Jarvis Initiative. In fact this fundamental premise is now the law of the state of California which limits such initiatives merely to amending the constitution while prohibiting revising it by initiative. . . . Moreover, the Jarvis Initiative is unconstitutional because it undermines the fundamental constitutional premise upon which the sovereignty of the government of California rests — its responsibility to insure and provide for the health, safety and welfare of the population and the further development and growth of the state's economy. By undermining these fundamental duties of the state in an arbitrary and chaotic fashion, the Initiative also undermines the U.S. Constitution's guarantee to its citizens of a republican form of government, with all the privileges and immunities pertaining thereto.

POINT I:

The Jarvis Initiative is unconstitutional under the U.S. Constitution and the Constitution of the State of California in that it undermines the ability of the State of California to provide adequately for the health, welfare and safety of the population. The sovereignty of the State rests upon its duty to provide appropriately for the health and welfare of the population.

It is a well-accepted general principle that the paramount duty of state government is to safeguard the health, safety and welfare of its population This principle is derived from the spirit and intention of the U.S. Constitution.

The Constitution, framed on the principles of universal natural law, was designed to create a government capable of directing and expanding trade and commerce, encouraging the development of manufactures and the discoveries of science, and thereby providing for an increasingly educated, skillful and creative population. As Alexander Hamilton wrote in the *Federalist*,

"Under a vigorous national government, the natural strength and resources of the country, directed to a common interest, would baffle all combinations of European jealousy to restrain our growth. This situation would even take away the motive for such combinations, by inducing an impracticability of success. An active commerce, an extensive navigation, a flourishing marine, would then be the inevitable offspring of moral and physical necessity. We might defy the little arts of little politicians to control, or vary, the irresistible and unchangeable course of nature." Alexander Hamilton, *The Federalist*, Number XI.

To this end, it was endowed with the powers necessary and proper to carry out its functions.

"This is one of those truths, which, to a correct and unprejudiced mind, carries its own evidence along with it; and may be obscured, but cannot be made plainer by argument or reasoning. It rests upon axioms as simple as they are universal — the *means* ought to be proportioned to the *end*; the persons from whose agency the attainment of any *end* is expected, ought to possess the *means* by which it is to be attained." Alexander Hamilton, *The Federalist*, Number XXIII.

The constitutions of the states, subject to the approval of the U.S. Congress at the time of admission to the Union, perforce express similar sentiments, particularly in their definition of state responsibilities under the Tenth Amendment to the United States Constitution. Chief Justice John Jay, referring to the Preamble to the Constitution, definitively described the relationship between the state constitutions and the federal constitution as follows:

"Here we see people acting, as sovereigns of the whole country; and in the language of sovereignty, establishing a constitution, by which it was *their will*, that the state governments should be bound, and to which the state constitutions should be made to conform." *Chisholm v. State of Georgia*, 3 Dall, 419

The Constitution of the state of California founds the sovereignty of that state upon its duty to provide for the "protection, security, and benefit of the people." (Cal. Const. ART. I § 2)

These constitutionally mandated duties and powers, as well as the natural law commitment to progress embodied in our republican form of government and the U.S. Constitution make it inescapably clear that the state legislature cannot be forced to divest itself of its Tenth Amendment police powers, at the behest of an initiative passed by the voters. Article IV, Section 1 of the California constitution indicates clearly that the initiative power reserved to the people is the power to adopt a statute or an amendment to the constitution. It is not a power sufficiently broad to permit an alteration in the form of our government or in the fundamental responsibilities and duties of the state legislature.

The fundamental and basic nature of the duty of the state to provide for the health and welfare of its citizens is well understood. As well it is clear that the standard by which the appropriateness of the level of public services provided must be measured is the growth of the economy as a whole. Chief Justice Hughes, of the United States Supreme Court, examined the question closely in *Home Building and Loan Association v. Blaisdell*, supra. His view still stands:

"It is manifest from this review of our decisions that there has been a growing appreciation of public needs and of the necessity of finding ground for a rational compromise between individual rights and public welfare Where, in earlier days, it was thought that only the concerns of individuals or classes were involved, and that those of the State itself were touched only remotely, it has later been found that the fundamental interests of the State are directly affected; and that the question is no longer merely that of one party to a contract as against another, but of the use of reasonable means to safeguard the economic structure upon which the good of all depends.

It is no answer to say that this public need was not apprehended a century ago, or to insist that what the provision of the Constitution meant to the vision of that day it must mean to the vision of our time. If by the statement that what the Constitution meant at the time of its adoption it means today, it is intended to say that the great clauses of the Constitution must be confined to the interpretation of the framers, which the conditions and outlook of their time would have placed upon them, carries its own refutation. It was to guard against such a narrow conception that Chief Justice Marshall uttered the memorable warning — "We must never forget that it is a *constitution* we are

expounding' (*McCulloch vs. Maryland* 4 Wheat 316, 407) — 'a constitution intended to endure for ages to come and consequently to be adapted to the various crises of human affairs.' *Id.*, p. 415." *Home Building and Loan Association v Blaisdell*, supra at 442 (emphasis added).

California is a center for the nation's advanced electronic and aerospace capabilities. The Imperial Valley and other areas within the state are representative of the most technologically advanced agriculture in the world. California has an unparalleled concentration of top level educational facilities. It is a major center for scientific research and development. As a result, its population is highly skilled, productive, and creative. The economy of the state as a whole, because of its extraordinary productive capacity and skilled population, represents a crucial resource not only for the national economy, but for the economic and scientific development of the entire world.

It is California's contribution to the national and international economy which determines the nature and level of public services which the state must provide to meet its obligations to public health, safety and welfare in Article I, sections 2 and 3 of the California constitution. The Jarvis Initiative will certainly have the effect of significantly decreasing the level and quality of public services available to the people of California. It does so, not as a part of an overall policy, deliberated upon and approved by legislative representatives, conscious of their paramount obligation to provide for the safety and happiness of the people, but rather as a single bullet, shot into the heart of the state's sovereign powers.

POINT II:

The power of taxation is fundamental to state sovereignty and cannot be undermined by initiative or referendum. The Jarvis Initiative violates the protections of the California State Constitution in that it revises rather than amends the Constitution and it concerns more than one subject.

The power of taxation is fundamental to the sovereignty of the state and cannot be undermined through the exercise of initiative or referendum. The California Constitution itself contains certain safeguards to ensure that broad and sweeping initiative or referendum measures do not create chaos in the administration of government, and do not present the people with complex measures requiring extensive knowledge and deliberation or unpalatable choices

The power of government to tax is established in Article XIII of the California Constitution, and is vested in numerous separate bodies so they may carry out their duty to provide services as required by the Constitution of California and by specific statutes. The relationship between the taxing power of government and its ability to meet its obligations to the population can hardly be questioned. In the words of Chief Justice John Marshall:

"That the taxing power is of vital importance; that it is essential to the existence of government; are truths which it cannot be necessary to reaffirm. They are acknowledged and asserted by all. It would seem that the relinquishment of such a power is never to be assumed." *Providence Bank vs. Billings and Pittman* 4 Peters 514 at 562.

Further, it is well established that limitations imposed on the taxing power of government provide a short road to chaos and disorder. Supreme Court Justice Joseph Story, in his Commentaries on the Constitution of the United States, discussed the debate on national governmental taxing powers that occurred during the framing and ratification of the United States Constitution. His views on the matter are particularly noteworthy since the founding fathers of our nation, attempting to create a government based on a commitment to scientific progress and capable of directing and developing the fragile and depressed economy of the U.S. at that time, faced a "tax revolt" not dissimilar to that which we are experiencing now. This distinctly political problem was resolved not by limiting the taxing power of government in a futile attempt to spread around the shrinking wealth of the nation, but rather by creating a government with powers sufficient to ensure the generation of additional revenues by expanding the tax base. (See Alexander Hamilton, Report on a National Bank and Report on the Subject of Manufactures, in *The Political Economy of the American Revolution*, Campaigner Publications, Inc. 1977, pages 339-442.)

Story commented:

"If, then, there is to be a real, effective national government, there must be a power of taxation co-extensive with its powers, wants and duties . . . Every government ought to contain within itself every power requisite to the full accomplishment of the objects committed to its care, and the complete execution of the trusts, for which it is responsible, free from every other control, but with a regard to the public good, and to the security of the people . . . It is impossible to foresee all the various changes in the posture, relations, and power of different nations which might affect the safety and prosperity of our own . . . The power of taxation, therefore, to be useful, must not only be adequate to all the exigencies of the nation, but it must be capable of reaching from time to time all the most productive sources . . . How is it possible, that a government half supplied and half necessitous can fulfill the purposes of its institution, or can provide for the security, advance the prosperity, or support the reputation of the commonwealth? How can it ever possess either energy or stability, dignity or credit, confidence at home, or respectability abroad? How can its administration be anything else, than a succession of expedients, temporary, impotent, and disgraceful?" Joseph Story, *Commentaries on the Constitution*, II § 930-933.

Indeed, the California courts have similarly understood the integral nature of the taxing power to the state's sovereignty and its ability to carry out its obligations to the population. The courts have held that the initiative and referendum procedures, although generally applicable to all legislative powers, are not an appropriate vehicle to alter the taxing power of government

The Jarvis Initiative in effect utilizes the reserved initiative and referendum rights of the people to enact a major budget cut, and then turns the matter over to the state legislature to pick up the pieces, with no regard for the statutory and constitutional rights of that office.

Even though just the most preliminary effects of the Jarvis Initiative have been felt in the state, Governor Brown, citing the Jarvis Initiative, has cut \$388.5 million from the California state budget, a decrease of \$10.6

million from last year's budget, despite inflation. Service cuts include cuts in health and rehabilitation programs, cutbacks in child care, no cost of living increase for welfare recipients, cuts in the recreational facilities budgets, cuts in the higher education budget, cuts in highway construction, as well as no cost of living increase for state employees. Cities, towns and counties have made their own cuts in all services in anticipation of the decreased property tax collection and decreased state aid. The fact that this represents just the initial impact was best stated by Governor Brown in his message to the State Legislature, which accompanied his line item vetoes: "Proposition 13 radically restructured the financing of government in California . . . During this transition year, local government will have its revenues reduced by \$7 billion." (Governor Edmund G. Brown, Jr., July 6, 1978 message to the State Legislature.)

Basic economics should make it plain that these cuts are not merely dollar cuts in total public services provided. The people of California depend upon the state and local public services to maintain their standard of living and their productivity. The drastic budget cuts already announced directly affect the ability of the California economy to produce wealth. Therefore, the Jarvis Initiative, which has required immediate budget slashes, is also cutting away at the total taxable income and property which the economy can generate. Therefore, its immediate practical effect transcends the simple cuts in services which have already been announced, and directly circumscribes the state's ability to generate revenues to meet its obligations to the people.

The experience of New York City, under the austerity regime of the Municipal Assistance Corporation and the Emergency Financial Control Board is sadly illustrative of the causative relationship between significantly diminished public services, destruction of the productive powers of the population and a shrinking tax base. The criterion of *Chase vs. Kalber*, supra, of a measure undermining the efficacy of government, is amply met.

POINT III:

The Jarvis Initiative Violates Article IV, Section 4 of the United States Constitution

The Jarvis Initiative, by establishing permanent popular ratification of local tax measures and by imposing a special standard of two-thirds vote of the legislature for state tax measures, violates the republican form of government guaranteed to each state by the U.S. Constitution (Article IV, Section 4). The commitment to republican government as appropriate to scientific and economic growth, was a universally shared political principle of this nation's founders. In his justly famous Federalist Number 10, James Madison counterposes the operation of a republican government to that of a pure democracy. The latter form of government, Madison argues, is forever vulnerable to the violence of faction.

"By a faction I understand a number of citizens whether amounting to a majority or a minority of the whole, who are

united and actuated by some common impulse of passion, or of interest, adverse to the rights of other citizens, or to the permanent and aggregate interests of the community." James Madison, *The Federalist*, No. 10.

The virtue of republicanism in combatting the destructiveness of faction is that it vests the sovereign powers of government in a body of elected representatives. These leaders, while dependent upon popular support, must exercise independent judgment in matters of fundamental policy deliberation. In this manner, the spirit of reason, and not the impulse of faction, determines policy for this nation and its individual member states.

To ensure the continued existence of republican government the Philadelphia Convention of 1787 provided for an explicit constitutional guarantee to each constituent state. Foremost in the minds of the men assembled that year in Philadelphia was the popular discontent, caused by unsettled economic conditions, which threatened to return the newly independent nation to its colonial status. The danger was addressed by James Madison: "But who can say what experiments may be produced by the caprice of particular states, by the ambition of enterprising leaders, or by the intrigues and influence of foreign powers?" (James Madison, *The Federalist*, No. 43). The near-total disregard for the effects upon the population of cuts in public services necessarily compelled by the Jarvis Initiative certainly qualifies this measure as a "caprice" with lasting and deadly consequences.

The present dormant nature of the guarantee clause of the U.S. Constitution was certainly not intended in 1787 by that group of men so especially attuned to the potential destructive character of simple majority government. Recently the U.S. Supreme Court has begun to rescue the guarantee clause from the clutches of judicial abstentionism

With respect to the Jarvis Initiative, we are not asking this court to invalidate all statutes enacted through initiative and referendum. This particular process of legislation has already been well-secured in many states. We do not contest the right of the electorate to pass laws by initiative and referendum, but assert that the Jarvis Initiative deprives the state government of its fundamental, sovereign, republican powers and as such violates Article IV, Section 4 of the U.S. Constitution.

The nature of the judiciary gives it a paramount responsibility for enforcing the above section of the U.S. Constitution. We rely upon Justice Douglas' view in *Baker vs. Carr*, supra, that the Courts may adjudicate a controversy under Article IV, Section 4 of the U.S. Constitution. Frequently in this nation's history, state and federal courts have been called upon to check abuses of popular government. For this reason the Supreme Court of the United States has been equipped with the power of judicial review as the essential means to safeguard the enduring principles of constitutional government against the potential destructiveness of popular caprice. The standards for republicanism established by the Constitutional Convention in 1787 are really only the beginning point of an evolution of the concept. As Professor Arthur Bonfield points out, the present criteria for republicanism must be more expansive than that of our ancestors.

“Here are two types of rights which are so fundamental that all republican states must protect them against private action, both in fact and in law. In the first group are those rights derived from the state constitution and its laws . . . The second type of fundamental rights that the state has an affirmative duty to safeguard against private action, both in fact and in law, are those without which a person could not live in this society. That is past the implied obligation of the state to keep peace, it must insure that each person has access to those things that are essential to his existence in our culture.” 46 Minn. Law Rev. 566

This demonstrates the second aspect of the Jarvis Initiative’s contravention of the guarantee clause. Not only does the Jarvis Initiative deprive the legislature of its sovereign authority but it will prevent the legislature from exercising that authority to sustain the necessary services mandated by the state constitution and its laws.

Thus it places special restrictions upon the passage of taxation legislation, both statewide and locally.

CONCLUSION

The Jarvis Initiative presents basic and fundamental issues of public policy which must be resolved if our system of government is to survive. In our constitutional scheme of republican government, the founding fathers planned that the Judiciary, as the branch of government most impervious to public pressure, would be the guardian of the fundamental interests of our nation. It is in this light that the current challenges to the constitutionality and effect of the Jarvis Initiative must be viewed.

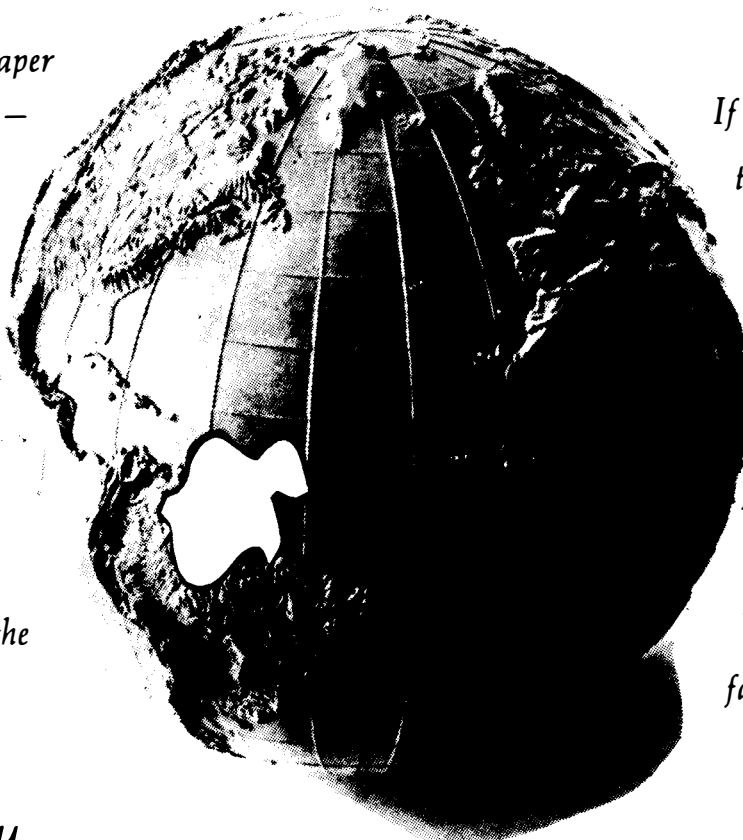
We therefore respectfully urge this Court to find the Jarvis Initiative unconstitutional and to enjoin its effect.

Your newspaper gives you
only part of the picture...



It leaves you puzzled...

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you read, coast to coast —
from the Wall Street
Journal to the Los
Angeles Times —
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getting parts of the
puzzle. And a lot of
those parts don't even
fit when you try to put the
whole puzzle together.



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THURSDAY, JANUARY 11, 1978

LEADING U.S. BUSINESS DAILY CALLS FOR CUTOFF OF NUCLEAR COOPERATION WITH INDIA

JAN. 11 - THE WALL STREET JOURNAL, A LEADING U.S. BUSINESS DAILY, DENUNCIATION OF THE CARTER VISIT TO INDIA, IN A SCATHING INCIDENT, AND ABOVE ALL HIS COSMETIC CONCESSION THAT HE WOULD AUTHORIZE SUPPLY OF ONE SHIPMENT OF ENRICHED URANIUM TO INDIA, FOR FUELING NUCLEAR COOPERATION COLDLY AND BLUNTLY AS THE CANADIANS DID AFTER THE INDIAN EXPLOSION. THE JOURNAL CONCLUDES "IT IS EASY ENOUGH TO BELIEVE THAT MR. CARTER DOESN'T NOTICE MIKES AND POLICY INTACT DESPITE THE HEAVY WATER SHIPMENT. BUT ON THE OTHER HAND, PERHAPS IT WAS NOT THE INDIANS WHO WERE INTENDED TO OVERHEAR THE OPEN MIKE. PERHAPS THE CANDIDATE CARTER WHO PROMISED NEVER TO TELL US A LIE WAS USING THE PLOT TO MISLEAD THE AMERICAN PEOPLE."

WHAT IS REALLY GOING ON?

WHILE THE DUST HAS NOT YET SETTLED ON THE CARTER TRIP, BRITISH PRIME MINISTER JAMES CALLAGHAN HAS ARRIVED IN INDIA TO SUPPOSEDLY EVOLVE THE COMPROMISE FORMULA TO BRING INDIA INTO AN ACCEPTABLE STATUS ON THE NON-PROLIFERATION QUESTION, WHILE THE U.S. STATE DEPARTMENT TODAY ADAMANTLY DENIED ANY TRUTH TO THE STORY THAT CALLAGHAN HAS SUCCEEDED WHERE CARTER HAS FAILED, AS PRESENTED BY THE LONDON TIMES. THE CALLAGHAN TRIP HAS OSTENSIBLY TWO GOALS. ONE IS TO ARRIVE AT A COMPROMISE AGREEMENT WITHOUT TOTALLY DISPLEASING TO PAKISTAN AT THIS TIME. TODAY'S LONDON DAILY TELEGRAPH ADDS THAT CALLAGHAN HOPES TO TAKE DESAI'S SECRET PROMISES AND CONTRACTED FRENCH NUCLEAR REPROCESSING PLANT. CALLAGHAN ARRIVED IN PAKISTAN JAN. 11, ONE DAY AFTER THE NEW YORK TIMES ANNOUNCED THAT FRANCE HAS REQUESTED THE PAKISTANIS CONSIDER ALTERATIONS IN CURRENT CONTRACTS.

MIDWEST COLD FREEZES OHIO COAL STOCKPILES

JAN. 11 - AS THE NATIONAL STRIKE OF U.S. COAL MINER AND COAL-HANDLING MACHINERY, A SPOKESMAN FOR THE ELECTRIC UTILITY TOLD THIS NEWS SERVICE FOR THE CUSTOMERS HAVE BEEN ASKED TO VOLUNTARILY CUT BY THAT THEY REGARD THE SITUATION AS "CRITICAL." THE UTILITY AFFECTED ALL EXPECT TO HAVE TO A DAY, HOWEVER A SECOND COLD FREEZE IS PRE-ALTERNATIVE USED LAST WINTER DURING SEVERAL WEEKENDS. THE ONGOING MINEWORKERS' STRIKE IN FRESH COAL TO REPLACE FROZEN COAL. THE OHIO STATE ENERGY OFFICE DURING TV COAL DELIVERIES TO RESIDENTIAL USERS

A SPOKESMAN FOR THE U.S. DEPT. WILL DO NOTHING IN THE PRESENT SITUATION. HE ADDED THAT THE PRODUCTION BY THE ONGOING STRIKE AND UNTIL THEN THE GOVERNMENT CONSERVATIVE BRITISH FIRING OPPOSITION

TOM KING BRITISH GOVERNMENT HIS D... OF

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