Europe, Japan and key developing nations as byproducts of the USA's being reduced for the moment to a brainwashed puppet of combined British-monarchy, "Black Maltese" (e.g., Mont Pelerin), and Zionist forces. The operations of other nations concerning the USA today will be aimed at weakening and discrediting the British, Mont Pelerin, and Zionist forces which temporarily have Wall Street and the Carter Administration in a lunatic, brainwashed state.

That is the "scenario" which corresponds to reality.

In contrast, the Carter Administration constructs its own policy-fantasy on the presumption that it must not acknowledge the truth of its own circumstances, must deny that it is acting as a puppet of Britain and the Zionists. By so denying the essential truth of its own policies, and constructing scenarios based on such hysterical attempts at denying the fundamental, all the scenarios and intelligence estimates produced by the Administration are axiomatically lunacy from the standpoint of the reality to which they are presumably addressed. The Administration is momentarily incapable of recognizing reality, either in terms of policy or the assessment of any important fact confronting them. They are collectively as a man insane.

The leading forces of other nations are operating on the basis of an increasingly precise understanding of the nature and source of the Carter Administration's specific lunacy. They are acting to bring the Carter Administration out of its presently brainwashed state. It is sophisticated designs of action aimed at producing that result, breaking the brainwashing control over the Carter Administration, which will guide European and other most-sophisticated nations in dealing with the problems cause by British-Zionist takeover of the U.S. government's and Wall Street's policymaking.

If they do not succeed — unless the Administration is freed from its present brainwashed state — the next stop after Disneyland will be Halloween.

—Lyndon H. LaRouche, Jr.

1. Economic fantasyland: 'domestic Camp David'

U.S. government and business circles are merrily committing themselves to measures which fall under the rubric of "destroying the U.S. economy to save the dollar." Cases in point are the President's new "tough stance" against "inflationary government spending" and precipitous moves by various Congressmen and business interests to torpedo the GATT talks and foment trade war with our best trading partners and allies.

In the case of Jimmy Carter, it is not hard to chart the evolution of this new phase of irrational behavior. Since the Camp David summit and the "shift in the public opinion polls in his favor," Carter has become more than ever a creature of consensus politics. Carter's visit to Florida's Disneyworld after Camp David also appears to have left an indelible impression on him. He is presently acting out the role of "strong executive squelching inflationary congressional spending," with considerable prompting from the media.

The public works and tax cut vetos

Within the last week the new Carter vetoed the public works bill and threatened to veto the tax cut bill if House-Senate conferees do not significantly reduce the size of the $29.3 billion tax cut passed by the Senate 86 to 4 on Oct. 10.

To be sure, the public works and tax cut bills are not the miracle workers that their ardent supporters make them out to be. Their principal effect would be to postpone a new deep recession in the U.S. economy—and give the U.S. some breathing space for reorienting to the new international monetary system now being implemented by rational world leaders outside the U.S. But in vetoing the bills, Carter is merely following London's script for an early depression in the U.S.A.

"President Carter's impressive performance in sustaining his veto of the inflationary public works bill is his 'domestic camp David,' " wrote the editors of the *Baltimore Sun* Oct. 9. It is on the basis of such media prompting that the Carter White House, under the direction of Carter "image booster" Gerald Rafshoon, is now formulating national policy. "And there will be more anti-inflation vetos a-coming as the President seeks to put himself in the vanguard of fiscal conservatism," the *Sun* editors tell Carter.

The same day *Christian Science Monitor* correspondent Godfrey Sperling, Jr. warned Carter that his rising popularity depends on his performance on the economic front: "Mr. Carter must deal effectively with inflation or he will fail to hold public opinion behind him."

The brainwashing technique practiced by the "Chinese Zionist Monitor" and other British-contaminated press channels involves simply flattering the U.S. President about his new "clout" with Congress, world leaders, and the public following the Camp David fiasco. The tales of the fictitious public opinion polls are having their intended effect of egging Carter on to greater and greater feats of "fiscal conservative" lunacy.

Next week Carter is expected to unveil his new, toughened anti-inflation policy in a besweatered "fireside chat" with the nation. "I've been working on the anti-inflation package for a number of weeks," Carter told a televised news confereence Oct. 10, "I think that when the Congress completes its work, then I'll be able to put the final touches on the anti-inflation program and reveal it to the public and pursue it aggressively."

Carter's press conference contained so little real substance and so many warmed-over homilies about the need for austerity that the dollar promptly plunged to new lows on the foreign exchange markets, and gold soared above $226 per ounce for the first time in history.

Carter is expected to announce specific numerical wage-price guidelines which are supposed to reduce the U.S. inflation rate half a percentage point or so to 7 percent next year. As such the program will be innocuous. However, some Administration officials like Barry Bosworth, director of the Council on Wage and Price Stability, are already telling journalists that the "voluntary" guidelines will not be enough. These officials will attempt to steer Carter in the direction of a major confrontation with the International Brotherhood of Teamsters early next year when the Teamsters' master freight contract with the trucking industry comes up.

Special Trade Negotiator Robert Strauss, who has tried to steer clear of a direct confrontation with labor, could resign as Carter's anti-inflation czar at any time, Washington sources say.

On Oct. 6 the *Wall Street Journal* touted Lazard Frères partner Felix Rohatyn as the perfect replacement for Strauss — the same "pain and agony" Rohatyn who, as chairman of the Municipal Assistance Corporation, laid waste to New York City over the last three years.

Informed sources indicate that Carter is going to attempt to bring his "Proposition 13" economics into the international arena in coming weeks. These sources say that the British, having suffered a smashing defeat in trying to stop the European Monetary System, are now revving up Carter to propose a "third way" (neither the IMF nor the EMF) internationally: global fiscal conservatism.

One voice of sanity

These excerpts come from a guest editorial in the seattle Post-Intelligencer *by Myron Kayton that appeared on Oct. 9. Kayton is an electrical and mechanical engineer who is senior staff engineer to the manager of systems engineering operation at TRW. His article was titled, "America's technology falling behind."*

How has America's technology fared during the past 20 years? How will its widely publicized decline affect our foreign trade balance and the value of the dollar? ...

We will face strong European and East Asian competition (in the 1980s) in goods that only 10 years ago were high technology: video recorders, computers, communications satellites, aircraft, and nuclear power plants. We will have fewer ways to pay for the imports we consume except by exporting food. The overall picture will be one of our falling behind technologically, as has been widely predicted.

As an engineering manager who has been involved in high technology for more than 20 years, I would suggest at least three reasons for the decline ...

One reason is the shift of federal funds from support of high technology invention to support of the consumption of low-technology products by the recipients of social welfare ...

A second reason for America's technological decline is the rise of our interest rates from 4 percent in the 1950s to 8 percent in the 1970s, which has forced business to invest in ideas with a short-term payoff ... By contrast, the new technological leaders (Germany and Japan) enjoy 3 percent to 4 percent interest rates and can, therefore, invest further into the future.

A third brake on technological innovation in the 1970s has been the upsurge in regulatory and environmental pressures, and the stricter interpretation of defective product liability....

Interest rates go wild

Members of the Administration who previously had at least enough sense to be critical of Federal Reserve Chairman G. William Miller's wild interest-rate policy—including Strauss and the President himself, through his Georgia staffers—are now refraining from all such criticism and giving Miller free rein. Miller's policy at present can only be characterized as "the sky's the limit." By Tuesday, Oct. 10 the Fed had pushed the Federal funds target rate—which sets the trend for all other interest rates—up to 8.875 percent from 8.75 percent. The Fed funds rate started off 1978 at around 6.5 percent.

Many money economists are predicting that the prime rate will soon be boosted from 9.75 to 10 percent, the highest rate since January 1975. This is inevitable in view of the fact that by Oct. 6 the cost of funds to banks was already significantly above 9 percent, leaving next to no margin of profits for the banks. "The Fed has underrated the dimensions of the problem" of curbing monetary growth, according to Alan Lerner of Bankers Trust. In its latest issue *Business Week* wheeled out talmudic Friedmanite monetarist Jerry Jordan of Pittsburgh National Bank to warn that unless the Fed moves fast now to cut the growth rate of the monetary aggregates (thus throwing the economy into recession), there will be an even worse recession later. Such are the prognostications on which U.S. economic policy is now being made.

But even worse is the advice being proffered to the U.S. business community by the enemies of a prosperous United States. On Oct. 5 100 top American corporate executives attending a Conference Board-sponsored seminar at New York's Waldorf Astoria listened attentively as a Swiss banker told them that the U.S. Federal Reserve would have to raise its discount rate "three or four percentage points" to halt the collapse of the U.S. dollar on the international markets. The U.S. must "show the world, as the U.K. was forced to do not so long ago, that it means business and that it is determined to put its internal and external house in order. . . . Such a measure would certainly not kill the American economy," sneered Hans Baer, chairman and managing director of the Bank Julius Baer, the largest private bank in Switzerland. Baer also peddled the British-sponsored lie that the European Monetary System will "reduce the acceptability of the dollar" and that OPEC will shortly abandon the dollar as payment for its oil for a "basket of currencies." As a result, Baer "predicted," the present dollar collapse will continue unabated and the entire world monetary system is poised on an "abyss." The Europeans and Japanese will attempt to compensate for the dollar's depreciation, which raises the dollar price of their own exports, by subsidizing their exports and the U.S. will retaliate with countervailing duties.

Trade policy: "Jap-bashing"

Following Britain's trade war scenario to the letter, a captive Carter Administration has in recent weeks transformed its "export promotion" policy into an undisguised effort to grab a bigger "market share" for U.S. products at the expense of other nations. Commerce Secretary Juanita Kreps, who led a 140-member mission of U.S. businessmen to Japan, warned at a Tokyo press conference Oct. 5 that Japan had better rectify its trade surplus with the U.S. quickly "if trade is to continue on anything like its present scale." Kreps estimated that Japan will run a $20 billion trade surplus with the world this year, or $7 billion more than other U.S. officials have previously predicted.

Kreps demanded that the Japanese government alter its procurement policies to purchase more goods from American suppliers, and then proceeded to cancel meetings with three Japanese cabinet officials due to "lack of time"—a calculated insult.

—Lydia Ditfler

2. Camp David leaves Mideast policy in ruins

Less than one month after the end of the marathon summit at Camp David, American Middle East policy is in a shambles. Despite President Carter's fantasy-ridden claims that the Camp David accords were a "historic step toward peace," despite the favorable Madison Avenue public relations job, the unstable and unworkable "framework" announced after Camp David has brought the Middle East and the world immeasurably closer to war.

The White House and the National Security Council have imposed a top-down gag rule on the entire Administration in a partially successful effort to prevent any public, or even leaked criticism of the Camp David fiasco. But in the corridors of Washington sentiment is running overwhelmingly against Camp David among Middle East professionals and old U.S. Arabian hands.

They *know* it won't work.

The record so far

Put briefly, the following is the record of results of the Camp David summit.

Sadat's position undermined. President Sadat of Egypt, who was blackmailed into abandoning his insistence on an overall peace, has seen his own domestic position dramatically undermined. In addition, he has been hermetically isolated from the entire Arab world: not a single Arab nation, not even one of Egypt's closest allies, has spoken out in favor of Camp David.

War in Lebanon. The crisis in Lebanon, simmering since the end of the civil war in October 1976, exploded again into full violence. Far from leading to peace, Camp David's deliberate snubbing of Syria and the PLO, and Israel's stepped-up support for the Nazi Falangists and ex-President Camille Chamoun, has set up an imminent Israeli-Syrian confrontation — which Sadat's fragile regime could not survive.

U.S. interests hurt. The entire Arab world, from conservative Saudi Arabia and Morocco to radical Iraq and the Syrian-led Arab Steadfastness Front, has united in opposition to Camp David. Because of what the Arabs perceive as a total failure of American will at Camp David in capitulating to Zionist pressure, the political and economic interests of the United States in the Arab world may be irreparably hurt.

Detente damaged. The Soviet Union, on the eve of the SALT accord, is at loggerheads with the United States over what it sees, correctly, as a Brzezinski-directed anti-Soviet thrust in the Middle East.

Rejection by allies. Finally, America's allies, especially West Germany, France, and Japan, are extreme-