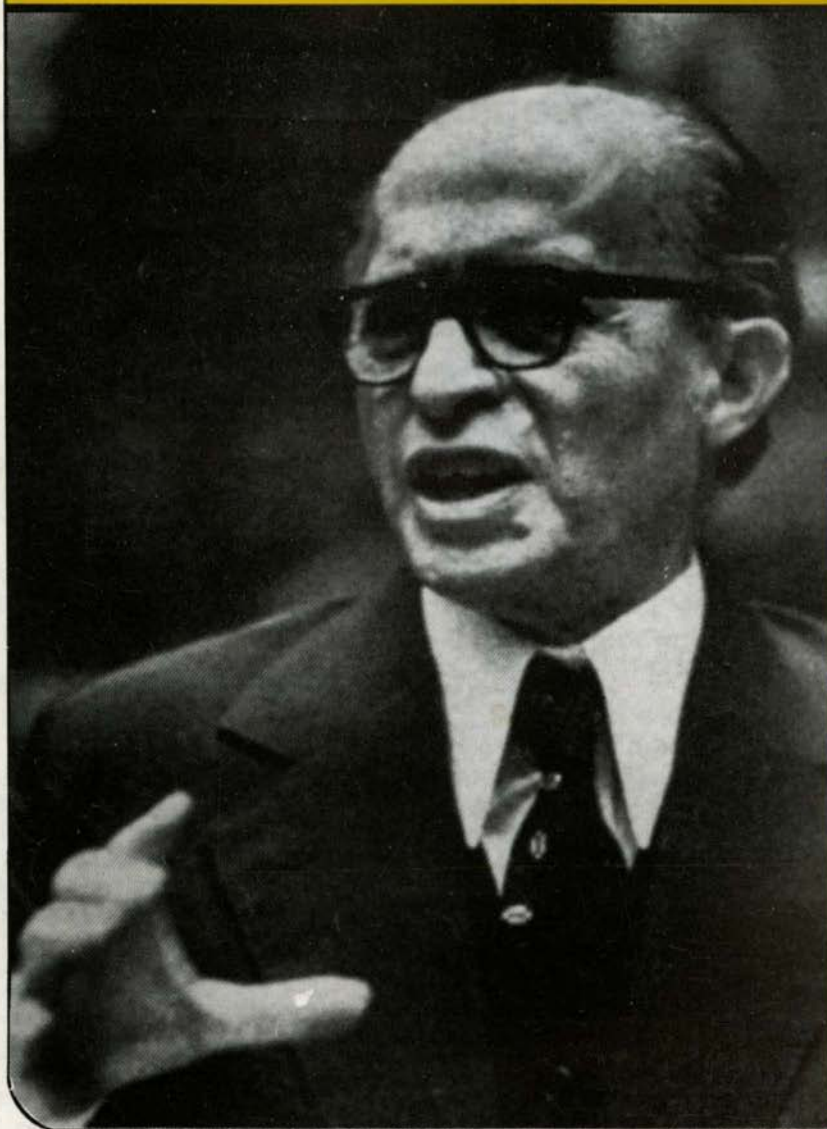
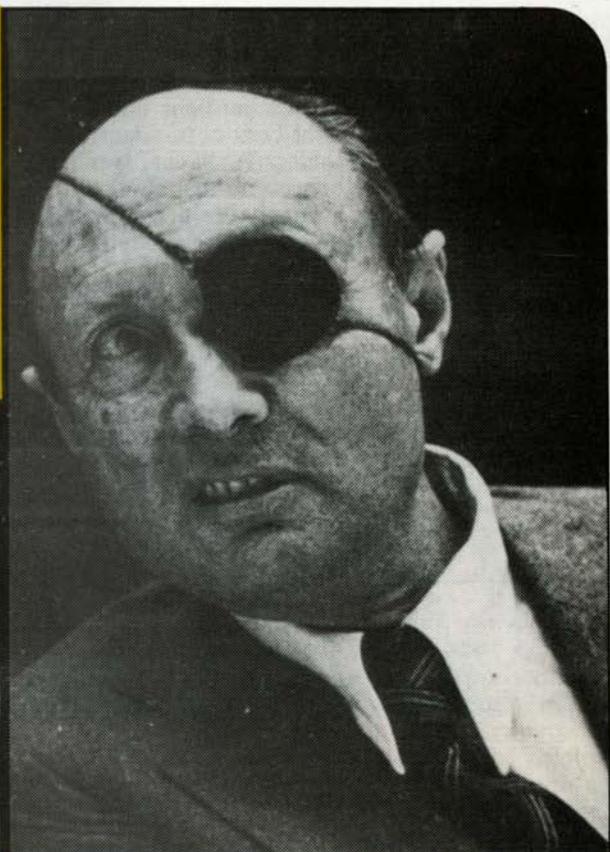


EXECUTIVE INTELLIGENCE REVIEW

Oct. 30-Nov. 5, 1979

The end of
the Camp David era



WHAT NEXT?

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EXECUTIVE INTELLIGENCE REVIEW

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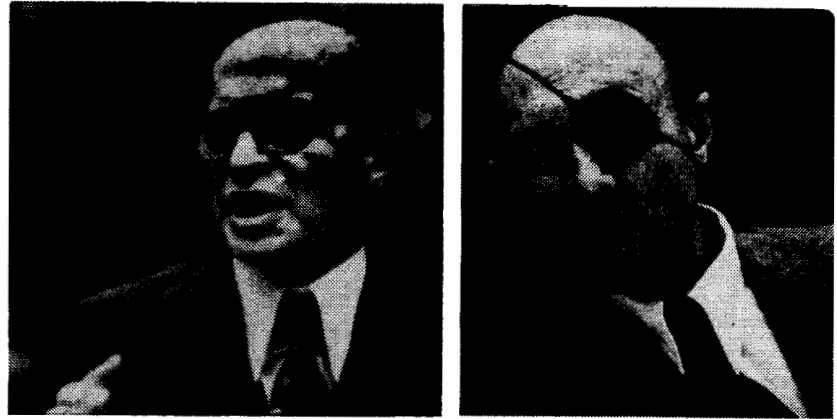
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End of Camp David What next?

Will the British and their Carter regime in the United States lose all control over policy developments in the Middle East? The resignation of Israeli Foreign Minister Moshe Dayan—"Mr. Camp David" in Israel—not only sends Israel in an uncertain direction, but confirms Arabs, Jews, and the world in the belief that U.S. policy in the Middle East is bankrupt. This week's COVER story—"The end of the Camp David era: What next?"—explores the dilemma of U.S. and British policymakers, and examines the method by which an Arab-European alliance has put itself into position to take hegemony over the Middle East away from the Anglo-American faction. Included: "Israel: the biggest government crisis ever," plus "Nahum Goldman: Zionist challenges the Zionists."

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Is Volcker insane?

Because of the dire threat to the U.S. economy and the world represented by the recent actions of the Federal Reserve Board and its collaborators, our U.S. Report leads off with a special statement by the editors of Executive Intelligence Review: "Is the Fed's Volcker actually insane?" The answer is yes, and ... something worse. We have also taken a poll on the sanity of Presidential candidates, leading congressional figures, the major news media, and others. You can read the results in "Where they stand on Volcker's credit policy."

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The view from Bonn

What is NATO's role in world affairs? What should NATO's military strategy be? What should its political policy be? Should NATO have a political policy? Should NATO exist at all? In the featured story of this week's EUROPE Report, "The view from the Federal Republic," our Bonn correspondent takes a look at the military strategy debate as it is being conducted in Europe. Included: "An independent Europe—Kissinger-style," plus: "A cool reception for Hua."

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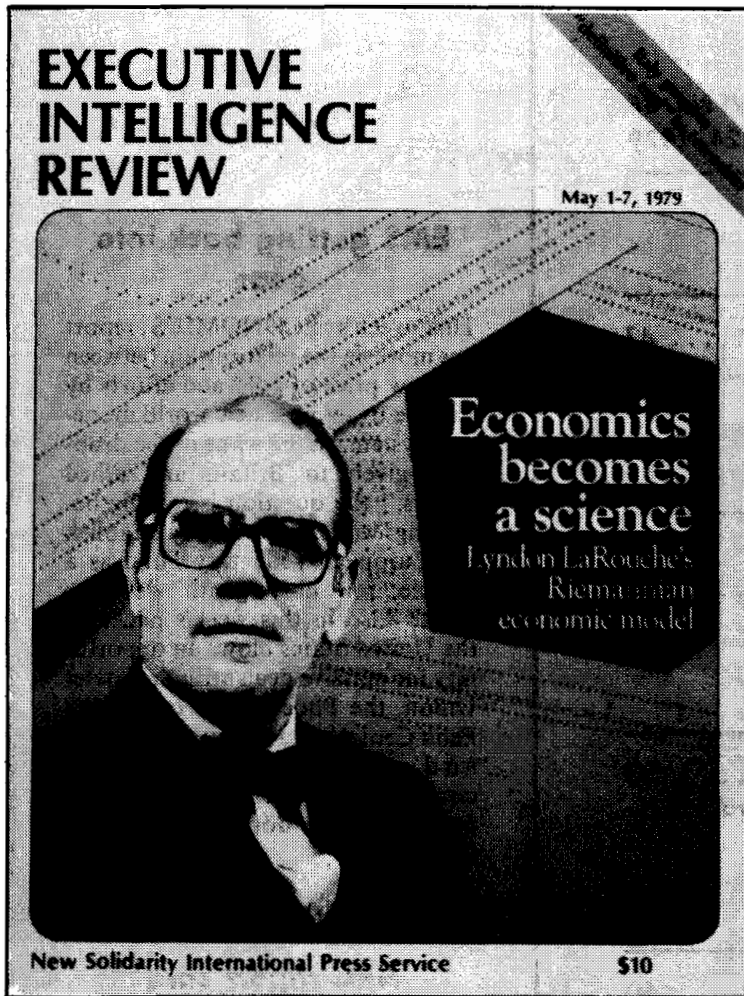
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Secret conference plots Caribbean "security"

Why are British, Canadian and U.S. government officials in London for top-secret meetings to make decisions about ... the Caribbean? There has already been a coup d'etat in El Salvador. On the agenda, according to our inside source, are "changes in policy" by several other Latin nations not even represented at London—they, and you, may read about the secret conference for the first time in our LATIN AMERICA report. We take you into the Anglo-American backrooms to view the plotting behind the public policy "reappraisals." Included: the reaction of Latin American nations to a perceived revival of U.S. "gunboat diplomacy." Page 45

India and Indira

Will Indira Gandhi again rule India? In 1977, elections in India swept Mrs. Gandhi out of power, giving an overwhelming mandate to the opposition Janata coalition. But after three years of misrule, Indian voters seem likely to go to the polls this January and give an overwhelming mandate to "stability, unity and progress," by sweeping Mrs. Gandhi right back into power. Specially featured in ASIA is an exclusive, wide-ranging interview with Ganesh Shukla, the editor of the respected Indian news-weekly, New Wave. Page 54



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The case against Paul Volcker

Death warrants have already been served against home building and other consumer-oriented sections of the economy by major commercial banks, well-informed commercial bankers told us this week. The banks have instituted a policy of "triage"—letting the worst casualties die unaided—after Federal Reserve Chairman Paul A. Volcker met with bank senior management last week. In one banker's words, the still crashing stock and bond markets are victims of a deliberate Volcker policy of "controlled chaos," to deliver a "traumatic shock" to the U.S. economy and force the amputation of major areas.

Meanwhile, the White House denied that it would respond to growing public anger against the Fed chairman's war on the U.S. economy. In response to a question from this press service, presidential spokesman Jody Powell declared on Oct. 22 that he saw "no prospect" that Carter would change his policy of support for the Fed or want to see its chairman changed.

Powell's disclaimer came just after another presidential aide, Stu Eizenstat, was chased from New Hampshire where he went to stump for Carter's re-election among presumed Carter supporters, all of them angered by the Volcker moves. And the first effects of Volcker's "triage" were being felt across the country.

- In the boardrooms of major commercial banks, senior executives gathered on orders from Volcker to set up "priority lists" of customers for triage. According to bankers, the first to go will be consumer loans, homebuilding loans, and real estate loans, as well as loans to small and medium-sized firms generally.

- Ford and General Motors announced another 19,000 auto layoffs—bringing the current level of

auto layoffs to two-thirds of the 1975 high-water mark for auto unemployment—and auto sales began to plummet. In many areas of the country, banks called auto dealers to tell them not to send customers around any longer for auto financing terms.

- The nation's third largest savings and loan association ordered its officers to refuse all new applications for home mortgages, while savings banks around the country began to shut their lending windows. According to informed New York City investment bank sources, the Federal Deposit Insurance Corporation, which regulates savings banks, has already drawn up plans to merge several large savings institutions into commercial banks. This would mark the end of the homebuilding industry.

- States and municipalities canceled large offerings of securities on the tax-exempt bond market, after the bond market continued in chaos. The value of all holdings of fixed-interest securities has fallen by more than 8 percent in the past two weeks, an unprecedented collapse.

There are already numerous signs that the administration and its backers plan to attempt to blame the

devastation of the economy on that perennial bogeyman, the Organization of Petroleum Exporting Countries. The current front-running contenders to challenge Carter in the Democratic and Republican parties, Ted Kennedy and John Connally, have both given their approval to the same Volcker measures that are costing the Carter-Mondale team its campaign in New Hampshire. In the 1980 presidential sweepstakes, only one leading voice has been raised to challenge the continued sojourn of Chairman Volcker in his Federal Reserve office. That is Lyndon LaRouche, Jr., who is running a strong race in the Democratic Party primary in New Hampshire.

LaRouche is calling on Congress to impeach Volcker for manifest abuse of his office. We think this step is not only necessary but urgent. Only weeks remain before, under Volcker's regimen, the bottom third drops out of the economy. And it is expected that many politicians, particularly among the urban and labor Democratic machines that dominate U.S. cities, will see things LaRouche's way.

—Nora Hamerman

The Week in Brief

The European Community Foreign Ministers, during a two day informal session Oct. 21-22, resolved to step up emergency food aid to Kampuchea. The meeting occurred in the midst of Chinese Premier Hua Guofeng's visit to France. The ministers indicated that they would recognize the new Kampuchean government of Heng Samrin, which is allied to Vietnam.

Irish Foreign Minister Michael O'Kennedy, the current president of the EC Council of Ministers, declared after the meeting that: "We want to get this aid to people who are starving. We will be dropping food from airplanes and we will not now be concerned whose planes they are."

That statement has been inter-

preted as meaning that the aid will be distributed through the government in Phonm Penh, possibly using transport supplied by Vietnam. The statement also implies rejection of the U.S. State Department's efforts to attach political conditions to the relief supplies through international agencies.

After the decision was announced the British daily the *Guardian* noted Oct. 22 that "The French and Irish governments have argued for some time that the continued insistence of a majority of EC governments in recognizing the Pol Pot regime makes neither moral nor political sense, and the decision this weekend seems to open the way for a gradual distancing from Pol Pot."

* * *

The name of Lord Harlech has been mentioned by British Foreign Minister Lord Carrington as the man who will head the British mission in Rhodesia during the interim period leading to new elections there. Lord Harlech, whose name was dropped by Carrington during ongoing talks on the Rhodesian problem in London, is also known as David Ormesby-Gore, and was ambassador to the U.S. during the Cuban Missile Crisis.

Harlech has been a member of the British delegation at the London talks since they began Sept. 10 Carrington has also leaked that Lord Harlech will head a team of British Generals and police officials during the interim period; the Rhodesian military machine of Lt. General Walls will be left intact. This arrangement has been rejected by the Patriotic Front liberation organization and is likely to inflame tensions in Rhodesia.

Carrington's intention to place Harlech at the head of such a force, observers say, indicates British desire for a showdown between the Cubans and Soviets, on the one hand, and the U.S. on the other.

* * *

The Soviet Union has announced a schedule for completion of an electron-beam fusion-energy pilot facility. The announcement was made by Prof. Leonid I. Rudakov at the dedication of the first 48 electron-beam units for the Angara-5 research facility in Moscow. The announcement confirms that the Soviet Union is significantly ahead of the United States in fusion power research.

"When it is completed," said Rudakov, who heads Soviet electron-beam research, "we hope to obtain a controlled thermonuclear reaction as a result of which the facility will be producing more energy than it consumes. Angara-5 will demonstrate that an industrial pilot plant can be built."

Fusion energy is considered the primary energy source for the 21st century, possibly becoming a major source by the 1990s. It is safe, clean, and virtually limitless in its supply potential.

The Soviet's Angara-5 results are impressive, but not unexpected according to specialists. They fulfill a long-stated schedule, and confirm the Soviet Union's commitment to investment in advanced technology, even when there is no short-term "payoff" anticipated.

* * *

Vietnamese daily Nhan Dhan carried a report denouncing torture and gruesome murders in Kwang tung, China.

The article entitled "Our Savage Enemy" says: "A big character wall poster in Guangzhou denounced the Guangdong Revolutionary Committee, especially the vice chairman ... for having savagely killed people by beheading, disembowelling, gouging out the liver, goring human flesh, making tonice out of male testicles, burying people alive, drowning people, tying explosive charges to human beings and setting off the charges. ... Once, 200 people were killed by the latter method. Li Shu-yang of the production brigade was beheaded and his sister forced to parade his head in the streets (the girl later committed suicide). The wall poster cited a series of names of localities and the number of people killed in those localities."

* * *

President Carter will ask Congressional approval for arms sales to Morocco. The White House made the announcement Oct. 22. The Cabinet was reported split on the decision because of tensions in the area.

Since 1975, Morocco has sought to annex the Western Sahara, a former Spanish colony, and has met with armed opposition from the Polisario Liberation Front, whose provisional government is recognized by 34 African countries led by Algeria.

Both France and Spain, calling the conflict a decolonization issue, have agreed to help resolve the problem in the United Nations. Carter's decision to arm Morocco with reconnaissance planes and helicopter gunships comes as Algeria and neighboring Mauritania, too, have been taking steps to resolve the conflict through the U.N. and the Organization of African Unity.

Volcker's 'organized chaos'— the next shoe drops

Capitol Hill, banking, Federal Reserve and administration sources are unanimous that the United States economy will be subject to what one official called "all kinds of controls" before the end of 1979. Commercial banks published by the *New York Times* Oct. 25, Fed Chairman Volcker invoked the Credit Control Act of 1969—under which the President has the power to take comprehensive control over all domestic credit flows—as the motivation for bankers to

DOMESTIC CREDIT

follow the guidelines he proposed on that basis. Thus far, the Fed chairman has done no more than to show the banks the instruments of torture, to short-circuit the borrowing and lending spree that erupted immediately after his Saturday night austerity message. The implications of Volcker's letter are, however, much broader.

Britain's move to abolish exchange controls is a good watermark of the state of Volcker's regime. "These British are really smart," said a Senate source close to Volcker. "Volcker and Carter people told them what they were going to do, and they said, 'Here's our chance.' They made the necessary moves to facilitate major cash and credit outflows, and prepare for battle. If the dollar goes as a reserve currency, the good old pound sterling will become important once again. We'll get currency blocs. The U.S. has been dictating economic policy for years. Maybe we should let the British do more, like they used to. This is all 1931 in reverse."

America is getting Britain's controls and inflation rate, and Britain is getting America's free capital market and inflation rate. In the Oct. 25 *Financial Times*, columnist Samuel Brittan proposed "the launching of the petro-pound," predicting a major return by sterling to reserve status.

Volcker is trying to rule through uncertainty, and allowing, in the process, the scavengers of "controlled disintegration" to make their big play. The consequences for the U.S. credit system will be terrifying.

"Organized chaos" was the deadly accurate phrase used by London brokers last week to describe the

conditions which have prevailed in the U.S. financial markets since Volcker unveiled his new "tight money" program.

The federal funds rate, the cost of overnight inter-bank loans, has been fluctuating wildly in the range of 6 to 18 percent on a given day—and 20 percent and higher for "lower quality" regional banks. On Oct. 23, the Fed injected reserves into the banking system when Fed funds were trading over 17 1/4 percent, indicating that the nation's money managers wanted the key short-term interest rate lower. "But no one knows what the Fed means any more when it conducts its open market operations," one government securities dealer remarked candidly.

The \$3.9 billion issue of two-year notes sold by the U.S. Treasury on Oct. 23 carried a record-smashing 12 5/8 percent coupon. The average yield had been estimated at 12 1/4 to 12 1/2 percent just the day before, and the actual rate was an astonishing 2 1/2 percentage points higher than the record set on such notes three weeks earlier.

With the Treasury's borrowing costs shooting up so uncontrollably, all projections of the federal budget deficit are being discarded. "Volcker cannot deal with the fiscal chaos unleashed by his monetary policy" is the way one well-placed source described the situation. He predicted that the \$33 billion projected deficit for fiscal 1980 would rise to \$40 billion and probably much higher.

The nation's portfolio of fixed income securities has lost upwards of 10 percent of its previous market value since Oct. 6, a much more telling indicator of the disintegration of the credit markets than the near 100 point drop of the Dow Jones industrial average since the highs of last summer. A small minority of corporations had planned equity offerings even before the new credit squeeze. However, a long list of corporations and municipalities were getting ready to enter the bond market in the hopes of shifting some of their heavy short-term borrowing to the long-term market. Prior to the Fed's moves, some \$3 billion in bonds were expected for October. The actual borrowings will be at least 20 percent below that.

Total uncertainty exists about the future availability

of long and short-term credit, and businesses are adjusting accordingly. Even before the Fed's latest tightening binge, the Conference Board had estimated that capital spending by manufacturers would drop by 8 percent or more in real terms in 1980. However, since Oct. 6, the future of capital spending looks a lot worse. In the meantime, current production schedules are being cut back. The executive of a leading truck manufacturer said that his company plans to cut back production by 15 percent in December.

Hyperinflation

Fore the moment, the principal effect of the Volcker package has been to unleash a monetary hyperinflation in the United States. Faced with the prospect of zero credit availability down the road and the likelihood of mandatory credit controls, corporations have begun a mad scramble for existing credit lines, which has been bidding interest rates up beyond all expectation. On Oct. 24 the Federal Reserve announced that business loans declined nationally in the week ending that date. However, investment bank sources closely tuned in to the condition of corporate finances say it is premature to call this decline a trend for the reason that the corporate sector is "hooked on" short-term credit.

The liquidity problems of the corporate sector are more serious than in 1974 on the eve of the last recession, Wall Street analysts say. Whereas that time around corporations had accumulated short-term debt to finance the build up of inventories—which were subsequently liquidated along with the debt—this time corporations have been borrowing short-term merely to cover operating expenses and to finance purchases of sorely needed capital equipment. The high interest rate regime initiated by former Fed chairman William Miller increased corporations' credit dependency by triggering the cycle of interest rates chasing inflation chasing interest rates.

This situation has prompted widespread expectations that the next phase of the "Volcker revolution" will be imposition of controls—wage-price controls, credit controls, and capital controls—of a severity that will make 1971 look like a test case.

A private seminar in Washington D.C. in mid-October attended by members of the Brookings Institution, investment bankers, and corporate leaders discussed the inevitability of the imposition to rein in the current hyperinflationary tendencies in the economy—which the group emphasized are being aggravated by Chairman Volcker's latest "tight money" gambit. According to one attendee, the consensus of the group was that the Fed's present policies will not make a dent in the record growth of credit in the economy; corporations will continue to borrow for their survival no matter how high interest rates go and, as long as they

can, pass on the additional borrowing costs in the form of price increases.

The group also foresaw that to the extent that Volcker's current policies increase unemployment, they will trigger a huge rise in transfer payments for unemployment and Social Security (Volcker has already said he would like to outlaw future cost of living increases for senior citizens and unionized workers), a widening of the federal deficit, and unexpected new borrowings by the Treasury, which would have to be supplied by the Federal Reserve's printing presses. The monetization of federal debt by the Fed would in turn accelerate money supply growth and set the stage for the imposition of de jure controls on credit issuance and wages and prices.

Rudy Oswald, research director for the AFL-CIO was highly critical of the Fed's current course in an interview, but said the labor organization wants the full implementation of the Credit Control Act of 1969—a law on the books which permits the President to authorize the Fed to allocate credit as it sees fit. Oswald said he believes this will promote "equality of sacrifice."

Speaking from a different perspective, Henry Kaufman, of Salomon Brothers, the guru of the credit markets, told a seminar of the Conference Board in Frankfurt on Oct. 23 that once a recession develops, the U.S. must impose capital controls to stop the flow of dollars abroad and force a repatriation of dollars back to the U.S. Otherwise, said Kaufman, the domestic money supply will be unbearably tight, as tax cuts and other fiscal measures would be unable to quell the deflationary tendencies.

De facto controls

A system of informal controls on the issuance of credit already exists, in the view of some commercial bank economists, who cite the pressure by the Fed on the banks against raising the prime rate too fast or high on the one hand, and the sharp rise in the banks' cost of funds, on the other. The rise in the prime lending rate to 15 percent on Oct. 23 was miniscule compared to the run up in the banks' cost of funds. After adjusting for the reserves requirements, the effective cost of new three-month certificates of deposit has been between 16 and 18 percent in recent days.

According to Donald Woolley, chief economist of Bankers Trust, the Fed's "jawboning" has forced banks to reevaluate their lending policies. "Since Oct. 6 loan appraisals have taken on a new light," says Woolley. At that point senior management at the banks took a more active role in scrutinizing, making day-to-day loan decisions. Loans to long-standing business customers are being favored over mortgages, brokerage loans, consumer loans, and loans to lesser quality businesses.

—L. Schulman and D. Goldman

'A beautiful trick'

Western European and OPEC nations should take steps to counter the depressive effects of U.S. monetary policy on the world economy, according to a memorandum released Oct. 18 by leading international economist Lyndon H. LaRouche, Jr., a candidate for the 1980 Democratic Party presidential nomination.

Capital control measures currently being contemplated by Federal Reserve Chairman Paul Volcker and the Carter administration could make the dollar a "non-negotiable currency," LaRouche stated. In that event, European and Arab governments, which hold large dollar balances, should attempt to protect their economies by compelling the International Monetary Fund (IMF) to accept these dollars in exchange for gold valued at or near the current market price of \$400 an ounce. This would drain the IMF, which has only \$40 billion worth of gold at that price.

It would also put the U.S. Treasury into a form of receivership. The Treasury would have to accept European and Arab demands for the restoration of gold as a key world reserve instrument, and upvalue its own gold reserves in order to remain solvent. The U.S. currently holds 265 million ounces of gold worth about \$100 billion at market prices.

The LaRouche memorandum reads in full:

"In response to the treasonous package of measures by Federal Reserve Chairman Paul A. Volcker, European and OPEC financial officers should declare that the 'capital controls' measures of Volcker et al. have made the U.S. dollar a financially non-negotiable currency. They should aid the United States against

Volcker's treason by demanding that the International Monetary Fund (IMF) pay off non-negotiable dollar demands in gold.

"Let the IMF pay off dollars in either pegged gold prices or in gold at current market prices. In either case, the IMF will be bankrupted, and the Treasury and Fed will be forced to value U.S. gold reserves at market prices.

"This trick will work beautifully at this juncture. The only question is whether the Arabs and Europeans have the nerve to take advantage of the stupidity of Volcker et al. in this way."

In previous public statements, LaRouche, a contributing editor to *Executive Intelligence Review*, has advocated a major expansion of U.S. exports of high-technology capital goods and farm technology. Such an export drive could be financed through floatation of gold-backed Eximbank bonds, already authorized by the bank's charter.

A three-point gold proposal

Scoring the "aspirin administered by international monetary meetings," financial columnist François Donati wrote Oct. 4 in the French daily *Les Echos de la Bourse*—the Paris equivalent of the *Wall Street Journal*—that the U.S. government has "extensive means" at its disposal to prevent the continued collapse of the dollar and to halt chaos in the international markets.

Donati asserted that the solution lies in proposals made by the late Jacques Rueff, Charles de Gaulle's chief advisor on monetary affairs

and a well-known advocate of gold's monetary role.

The present situation, wrote Donati, "should be the occasion to reflect anew on one of the common-sense solutions proposed earlier by Jacques Rueff. It consisted of three proposals which were inseparable from one another.

"What is the problem? The existence of a large mass of unwanted dollars which increases each year. How to sterilize it? We must take advantage of the increase in gold [prices] to revalue all the metallic reserves in the central banks, beginning with those of the United States. This is the first proposal.

"It would then be clear that monetary reserves are amply sufficient to make good all foreign debts denominated in dollars. We thus neutralize the inflationary effect which the massive increase of [U.S.] official monetary reserves might otherwise threaten to create.

"That is the second proposal. It would allow redemption of the United States' external debts in a much healthier fashion than that proposed by the IMF with the creation of "substitution accounts" for the dollar. Moreover, part of the new liquidity thus created would permit annulment of the non-oil-producing Third World's debts, in order to free the Third World from a more and more intolerable weight.

"The third proposal, just as fundamental, would consist of a new Bretton Woods to reestablish rational discipline in the creation of international means of payment, based on a respected standard of which gold would be the basic component.

"This in no way would mean the return—unthinkable for all sorts of reasons—to the sort of gold standard that functioned before the First World War. But this would enable us, after having cleaned the Augean stables, to avoid witnessing a renewed anarchic proliferation of monetary numeraires.

"Interest rates could be massively lowered, investment could take off again, and unemployment could finally decrease."

INTERNATIONAL CREDIT

Euromarket shakeout in the works

London's bid this week to become the leading international banking center once more is based on a bet that the United States will pull back into a North American economic zone—taking enough Eurodollar liquidity with it to dry up continental Europe's international lending as well.

Expectations are mounting of U.S. capital controls: things have reached a point at which West German thinktankers say Frankfurt has contingency plans to abolish all restrictions on inflows, so it can cap-

ture the flight money outside the U.S. Federal Reserve jurisdiction. To this Lazard Freres of New York replies, "If the Europeans try anything, we can expatriate all the working capital from Western Europe. That's \$150 billion—boom! Half the floating base of the Euromarket—see how they like it."

Asked what would happen if Europe responded by simply activating its gold reserves at a \$350-per-ounce valuation and issuing new credits against this \$147 billion backing, Lazards said, "Then you have two markets, one backed by gold and the other by American grain."

If Volcker goes for capital controls, West Germany could indeed

pull in overseas dollars in the short run. But European credit and trade would be painfully vulnerable in the unravelling world economy U.S. "austerity" would precipitate. Frankfurt bankers claim they can limp through a world recession the way they survived 1974-75—by belt-tightening. But no full-scale capital markets crisis materialized in 1974-75. This prospect is now undoubtedly intensifying intra-European battles over when and how to activate the international development fund plans mooted when the European Monetary System emerged 15 months ago, plans currently pressed by the Iraqi and Mexican governments, by Saudi factions, and by the leadership of the Nonaligned Movement.

While the EMS hangs fire on activating its massive gold and dollar reserves to meet the threatened credit gap, London and costrategists in Switzerland are moving to provoke a dollar blowout and reorganize world

FOREIGN EXCHANGE

Hit against dollar to prime sterling's role

The British Exchequer announced Oct. 23 that all restrictions on U.K. citizen's purchases and use of foreign currency have been lifted. The announcement came as something of a surprise, though the move had been mooted since the advent of the Tory government in May. The investment premium surcharge on dollars used to buy into foreign securities had gradually declined this year to the 5-6 percent range, but had not narrowed further this week in anticipation of an end to restrictions.

"No one expects a mad outflow of capital," as Barclays put it, noting

that major investors like the British Coal Board or Midland Bank have had no difficulty in buying up American equity while controls were still in effect.

The intent is not simply acceleration of the "buy America cheap" gambit first set forth in the London *Economist* two years ago. The City anticipates a dollar tailspin as fixed-income dollar assets are unloaded. The U.S. currency has been fairly strong only because of a temporary demand for dollars due to higher oil prices. With or without ensuing full scale capital and exchange controls on the U.S. side, London is now poised to make "petrosterling" a reserve currency once more. New York's Citibank foreign exchange ad-

visors foresee "outflows from Britain in the short term, more inflows in the longer term."

The Oct. 24 Lex column of the London *Financial Times* asserts that London will "start to claw its way back into lost markets" (there has just been an agreement between the London Metals Exchange and Stock Exchange to establish a gold futures market). "The challenge of a new era" will involve 1) sterling finance of third-country trade (prohibited since 1976), 2) building up, with reservations, overseas sterling balances, and 3) mammoth investment in North America and the Pacific Basin at the expense of "a demoralized Wall Street." The editorial in the same issue exults, "Britain will resume its role as a capital exporter." London *Telegraph* commentator Hamish McRae rejoins, "Don't be too euphoric, watch out, because this is a gamble."

—Susan Johnson

lending at the expense of "useless eaters." A crisis in the Eurodollar bond markets, spreading to all fixed-income dollar assets in Volcker's zooming interest-rate atmosphere, can trigger the blowout. Short-term Eurodollar interest rates continued to climb this week; Eurodollar bond prices lost 1.-1.5 percent in one day; and the London *Financial Times* announced a "near panic" with "nasty institutional losses" on Eurobonds at the same time they note that many Third World borrowers cannot service their debts at current rates.

Under the Bundesbank's tight-money regime, both West German call money and short-term Euro-deutschmark rates continue to rise as well. The domestic bond market is a mess: on Oct. 23 the federal capital markets committee reduced the issues authorized for the coming four weeks to 470 million marks' worth, down from 700 million the month before. No corporate issues were included. The German Bankers' Association warns that the 4 million DM bond for the U.S. Treasury announced Oct. 24 will "crowd" the situation further.

Luxembourg subsidiaries of West German banks are now dumping their bond portfolios on the market because they cannot afford to carry them at the present high interest rates. Market sources expect up to half a billion marks' worth of this kind of liquidation in the last week of October. All four of the total 400 million marks in new Euromark bond issues have been stillborn.

In Italy, a 13 percent cut in their ceiling on credit to industry has just been announced, as the prime rate reached 16 percent, and price increases of 15-21 percent have been imposed on medicine, transport, electricity and heating.

LDC crackdown

According to unconfirmed reports, the International Monetary Fund will provide no further credit to Turkey "until it has a stable government," and British banks will observe the ban. Zaire faces tough debt renegotiations. The Bank of Eng-

land is rumored to be organizing a supervisory commission to ration credit to Latin America.

The danger of a deliberate destabilization of Brazilian debt is uppermost in many minds, but there is a further angle. Geoffrey Bell of Schröders Bank, chief advisor to Venezuela on management of its petrodollar reserves, is reported to be escalating his ongoing pressure on Venezuelan authorities to diversify the reserves out of the dollar and into sterling—with the help of provocations from the U.S. State Department (see Latin America). The roof could be pulled down on the heads of the New York bankers who said this week that they expect the Latin American debt to be slowly but successfully refinanced as "we get a better picture of what Volcker will do," and saw the sterling diversification push as "ridiculous"

West German bankers for their part are now confronted with a legislative proposal for consolidated balance sheets and credit surveillance designed to help contract their international lending. West Germany is the "swing vote" on activation of the European Monetary System gold-backed credit expansion plan. French policymakers are on balance more progold and less tolerant of intense austerity for the LDC's. Frankfurt continues to claim that the monetarist-minded Bundesbank is a formidable obstacle to full EMS credit operations, and in short appears, or chooses to appear, to be waiting to thrash out the international development fund option until the Federal Reserve has actually thrown the Euromarkets into a tail-spin.

—Laurent Murawiec, Wiesbaden,
Susan Johnson, New York

What you should know about gold

If you read Executive Intelligence Review regularly, you know that this publication has had by far the best record of predicting major gold price developments in recent months. In early August, when many respected U.S., British, and Swiss gold analysts were predicting a gold market collapse, we were instructing our readers to prepare for further upward movements. What's our secret? We know that gold is primarily a *political* question, and that what *governments* do is the key to understanding today's markets.

Executive Intelligence Review has put together a 40-page special report to give you all the background information you need to put this method to work in plan-

ning your investment strategy. "How does the European Monetary System work and how has it remonetized gold?" "What does gold remonetization mean for the U.S. economy and the dollar?" "How do the European gold proposals differ from the pre-1914 gold standard?" All these questions and more are answered in an easy-to-read question and answer format. The report also includes important policy statements by European officials not generally available in the U.S. press. As an added feature, we present a history of the events leading up to U.S. rejection of gold on Aug. 15, 1971, and who was responsible.

To receive your copy of "Gold Returns to the Monetary System," please send \$50.00 by check or money order to Executive Intelligence Review, Fifth Floor, 304 W. 58 Street, New York, New York 10019.

TRANSPORTATION

Moving closer to deregulation

Senate Commerce Committee Chairman Howard Cannon says he is "mad as hell," and with good reason. He's incensed that the Interstate Commerce Commission is implementing deregulation by de facto means, and not only exceeding its congressional mandate but overriding Congress's transportation legislation.

"It is not the responsibility of the regulatory agencies to determine

how the American economy should operate on a day-to-day basis," said Cannon. "Such challenges will not go unanswered."

During the administration of outgoing chairman Daniel O'Neal, the ICC has progressively relaxed many of its most important regulatory measures. That trend will greatly accelerate when Darius W. Gaskins becomes the ICC chairman on Jan. 1. Gaskins will "make Dan O'Neal look like a regulator," in the words of Bennett C. Whitlock, president of the American Trucking As-

sociation. The new chairman is an economist from the University of California at Berkeley, whose credentials are exemplified by his service at the Civil Aeronautics Board under airline deregulator and inflation czar Alfred Kahn.

The ICC is considering several moves that would effectively knock out regulation in the trucking industry. Last week the commission shifted the burden of proof in motor carrier entry cases. In order to receive certification, previously, new applicants had to prove that existing carriers were unable to handle the freight volumes over their routes. Now, the ICC ruled, if new applicants are to be denied, *existing* carriers must prove that further competition would drive them out of business.

This is a built-in formula for reductions in trucking routes, as both Teamsters and industry officials contend. It is unlikely that most com-

BANKING

Comptroller's hearing on Marine Midland hit snag

An apparent oversight by lawyers for Marine Midland Bank and the Hongkong and Shanghai Banking Corporation left bank officials with red faces at Oct. 23 hearings before Comptroller of the Currency officials in New York City. Marine Midland is the object of a "friendly" takeover by the HongShang.

In applying for conversion from a state to a national charter, Marine stated that the primary motivation for the timing of the application was that "by June 1979, it became clear

that the Superintendent probably would not approve the transaction, at least on the terms approved by the shareholders of Marine Midland Bank, Inc. ... Accordingly, Marine Midland Bank filed its application to obtain the approval of the Comptroller to convert to a national bank and, upon receipt of that approval, to take all the steps necessary to effect its conversion to a national bank."

In framing that statement, Marine Midland General Counsel Frank J. Laski apparently forgot that the Comptroller's own guidelines explicitly state that no such application may be made in order to "circumvent state regulation." Yet that is what Laski indicated Marine Midland is trying to do.

In June, New York State Banking Superintendent Siebert forced the Hongkong and Shanghai Bank to withdraw its application for permission to vote the shares it wanted to acquire in Marine Midland. Approved by the Federal Reserve, the HongShang takeover hit the rocks after the New York Anti-Drug Coalition launched a campaign through the state legislature protesting the merger. At issue were U.S. Labor Party-published charges, incorporated in the best-selling paperback *Dope, Inc.*, that the HongShang is still involved in financing international narcotics traffic.

Superintendent Siebert testified at the Oct. 23 session, following testimony in Buffalo the day before from Marine Midland and U.S. Labor Party representatives. In her testimony, Siebert complained that the HongShang had failed to provide information of the type that any American bank would submit, including an accurate statement of the distribution of profits, a full list of

mon carriers could prove potential bankruptcy from one or two such applications per route; they would tend to cut less profitable routes instead. The entry changes are a further means of eroding the fixed rates set by the industry, an erosion which would cut profit margins and, again, spur route abandonments.

The railroad "transition"

The ICC has already lifted many of the pricing restrictions on railroads, to the misguided delight of the industry generally. Railroads argue that rate deregulation will enable them to cut prices and attract more volume in areas of high competition with trucking.

But the rails' great hope, as the *Journal of Commerce* recently underlined, "lies not only in freedom to price and market more imaginatively, but in the rationaization of their systems—the abandonment of un-

profitable mileage and mergers with acquisitions of other railroads." While Gaskins is softpedaling this line because of the outcry from shippers, his policy commitments are exactly in this direction. He admits the consequences. "While this may be inevitable and desirable in the long run . . . it could present severe transition problems for some shippers dependent for the moment on rail service."

Among the newest champions of rail dereg is the Committee of Railroad Shippers (CORS), a grouping of 15 major corporations formed earlier this year. One CORS proposal is for Congress to legislatively authorize contracts between individual shippers and railroads, which the ICC until recently had not permitted.

On the one hand, shippers would gain security of knowing they would be able to get cars and trains at specified times. But given rail car and

locomotive shortages, what will tend to happen is that large corporations and (to a far lesser extent) shipper cooperatives will corner the market on "train space." This could easily give rise to a rail space futures market, with speculation on and manipulation of cars and trains driving prices out of sight—and leaving smaller shippers even more stranded than they often are now.

CORS also wants the ICC and Congress to abrogate railroad right-of-way rules, under which railroads are not permitted to cross another line's tracks or lay new track along that line's right of way. As Clifford M. Sayre of Dupont puts it, "This would be a way for a shipper to reach around a marginal railroad to a healthy railroad, which could contribute to the collapse of short haul railroads or marginally profitable railroads."

—Stephen Parsons

subsidiaries, and certified balance sheets (see below).

But the Superintendent's strongest statement came in response to a question from a U.S. Labor Party representative at the hearings. "We didn't investigate the charges that the Hongkong and Shanghai Bank refused to submit its books because of involvement with illegal dope revenues," Siebert said. "We decided that the Federal authorities were in a better position to handle this. It is theoretically possible that the Hongkong and Shanghai Bank was involved in this." With the paucity of information provided by the bank, she concluded "there was no way to tell."

At the hearings, the Labor Party charged that if the Comptroller violated its own stated rules by supporting the takeover application, "it would damage the integrity and credibility of the American monetary authorities."

—David Goldman

HongShang statements inadequate

The following are excerpts from New York State Banking Superintendent Siebert's testimony before the Comptroller's hearings on Oct. 23.

The number of financial statements [submitted by the HongShang] was inadequate to properly analyze the Hongkong and Shanghai Banking Corporation group as an economic entity. Second, the statements which were submitted did not contain enough detail to make a comprehensive analysis of them possible. In fact, the statements were rather abbreviated. The profit and loss statements, for example, showed only the amount of published profit and how it was distributed. . . .

A glaring example of this is the practice of Hongkong and Shanghai Banking Corporation to credit an account called "inner reserves" with the true profit of the bank and then

to take from this account the amount of profit that management wants to publish. The secrecy of the true profit is further reinforced by the practice of burying the inner reserves account in the deposits account. The result of this practice is that profits, deposits, and capital are not fairly stated in the published financial statements of Hongkong and Shanghai Banking Corporation. . . .

Requests [for further information] resulted in a long series of marathon bargaining sessions between applicant and the banking department. We were told that most of the material we had requested was not available, that the applicant was not geared to produce it readily, and that producing it would involve inordinate costs and delay. It was also evident that the desire to preserve the secrecy of some of the information was also a significant factor.

SCM: who really wants to sell out

"Why would a guy buy \$7 million of common stock, with really immense financing costs, and spend another million to boot running full page ads, telephone operations, hiring Bear, Stearns, sending mailings just to try to take a company he can't take anyway?" demanded an insider sympathetic to the present management of SCM corporation.

Control of SCM's more than \$800 million assets in paper, industrial resins, food, and business equipment is being sought by a stockholder named N. Norman Muller, head of Macmuller Industries. The twist is that Muller, and his advisers, Bear, Stearns, are out to take over the board of SCM for the sole purpose of dissolving the corporation and realizing what they claim is a liquidation value of \$36 to \$77 a share.

SCM's president Paul Elicker told the *Wall Street Journal*: "SCM wants to continue as an independent company, and will vigorously and aggressively defend the interests of the company and its shareholders."

SCM has been a lackluster corporation, and, undoubtedly, some stockholder discontent exists. Yet there is no chance that Muller can succeed in his bid to take it over. Muller now has 286,000 shares, about 3 percent of the outstanding voting common stock and there are

no large shareholders with whom he might ally. That means he would have to swing many thousands of small holders. He doesn't seem to have it.

He seems to have a lot of cash, however. Little is known about his privately held corporation, which includes garment manufacturing and photocopying firms. The *New York Times* estimates his chest at \$1 million, not counting what he has spent on margin purchases of SCM stock at high interest. Muller is committed to about \$7 million worth of SCM common.

Muller is not a longsuffering SCM stockholder who's willing to do just about anything to get some cash out of his investment. He made his first SCM share purchase this March at 18.375 and continued to purchase in large lots through the end of July when the stock stood at over 30. Normal trading in SCM stock is only a few hundred a day, and when Muller quit buying the stock fell back to 21, leaving Muller with a nasty loss if he tries to sell, since his average purchase price was 23.75 and large-scale selling would depress the price.

If Muller's part in this affair seems shadowy, possibly a front for someone else's money which appears to be wasted in any case, the management of SCM itself is even more dubious. On the board sit four individuals whose histories and present affiliations place them among the leading experts in corporate liquidation in the United States. They are:

John T. Booth: EVP and Director of Blyth Eastman Dillon, experts in corporate reorganization. Blyth Eastman's parent corporation, Insurance Company of North America, is the major backer of the New York Insurance Free Zone, designed to facilitate the funneling of industrial capital into offshore speculation.

Crocker Nevin: former chairman and CEO of Marine Midland Grace Trust Company, linked to the Marine Midland Bank, which is trying to liquidate itself into the Hongkong and Shanghai Bank; and a governor of the U.S. Postal Service.

E. Everett Smith: counsel for McKinsey & Company, the British "consulting" firm most dedicated to the London *Economist* magazine's motto "Buy America Cheap." SCM's chief executive officer, Paul "Horatio at the Gates" Elicker, after a stint with Robert McNamara's "whiz kids" at Ford Motor, spent four years with McKinsey.

Richard C. Bond: one of the three trustees of the Penn Central, which successfully liquidated a multibillion dollar operating railroad into a multibillion debt burden on the public while transforming the company into a multibillion dollar real estate, tax-loss operation. Bond is also a director of INA.

This seems to add up to a Mutt and Jeff act played out to convince stockholders at large that liquidations are the agenda of the future. Given the Federal Reserve's Volker credit policies, industrial earnings will slump or disappear. One might even conjecture that the timing of this entire act was coordinated.

The only actors who can be believed are Bear, Stearns, the retained advisors to Muller, who openly admit that they want to become the big name in corporate liquidations. Presumably if someone wants to buy America cheap, someone has to sell it cheap.

—Leif Johnson

Third quarter 1979: the major trends

A summary of the commodity-content of leading international trade agreements for the third quarter of 1979 requires the explanation that "politics," as much if not more than questions of currency and the like are determining world trade. The fact that certain British and U.S. circles seek to replace European and Japanese trade ties to OPEC and the Soviet sector with anti-Soviet strategic ties to China, Egypt, Israel and so forth

WORLD TRADE

exemplifies this point. Otherwise, a third quarter review of trade deals shows a number of significant developments.

- * Shipbuilding and nuclear reactor exports have all but collapsed.

- * Aircraft orders remain strong, but largely for obsolete technology.

- * Some significant industrial-project lending has continued to the so-called NDCs (newly industrialized countries). This contrasts with the "Fourth World" sector, where project lending has all but collapsed.

- * There is a rise in bilateral oil deals between producer and consumer countries, including oil-for-technology deals—an understandable defense against the multis after Iran's recent oil production shutdown.

- * There are some noteworthy deals between France and West Germany on the one hand and the Comecon sector on the other. The Soviet Union for its part continues to function as the transmitter of technology to a number of key "NDCs" such as India.

Nuclear reactors

Nuclear reactor exports during the third quarter were minimal in the wake of the news media's "accident" at Three Mile Island (Harrisburg, Pennsylvania), on the one hand, and the Iranian cancellation of an \$8.9 billion German-French nuclear reactor project initiated under the Shah. The Iranian cancellation scuttled two nearly completed Kraftwerke Union (West German) reactors worth \$6.9 billion, and two Framatome (French) reactors at preliminary stages. Kraftwerke Union has suffered severe financial losses.

A major nuclear purchase agreement initiated by Turkey, in light of a government change, also seems

likely to be cancelled. West German banks, now under pressure from the Bundesbank to constrict their international loans, had been a major lender to the Ecevit government. In early June the Soviet Union had signed an \$8 billion trade and development package with Turkey, which included the export of Soviet nuclear reactors. Two months later Turkey undertook negotiations with Asea-Atom of Sweden for construction of a \$500 million nuclear reactor at Akkuyu.

The only bright spots for nuclear exports were:

- (1) an Argentine order of a \$2.8 billion heavy water nuclear power station to Kraftwerke Union, and an associated \$1.2 billion heavy water plant from Switzerland's Sulzer firm. This reactor order follows an April Argentinian order of four Candu reactors worth \$1.9 billion from Canada.

- (2) A Spanish order for two nuclear power plants, one to be built by Kraftwerke Union, the other by General Electric. The orders are important because they break a three-year Spanish moratorium on new nuclear reactor construction. When the two reactors are completed, 35 percent of Spain's electricity will be nuclear generated.

- (3) South Korea purchased two reactors from Westinghouse in a deal worth \$1.38 billion. A \$1.17 billion credit was given preliminary approval by the Eximbank in connection with this deal in September. This will be the largest single credit ever issued by a U.S. financial institution.

These nuclear deals, however, are surprisingly slim pickings in the wake of the exorbitant post-Iran oil price hikes.

Shipbuilding and aircraft

The *Executive Intelligence Review's* weekly log of major world trade deals (see back page) during the third quarter underlines the depressed state of the shipbuilding industry, with a \$393 million Indonesian purchase of four semi-container ships from West Germany and a package of ship orders for South Korean yards being all the quarter has to show. Aircraft export orders in value terms, by contrast, must have seemed gratifying, especially for Boeing, the principal beneficiary of the orders (as opposed to Western Europe's Airbus, which did better in the second quarter). Among Boeing's third-quarter orders received were a \$1.556 billion sale of 40 jets to Japan's Nippon Airways, a \$208 million order for three jets from Holland's KLM, a \$508 million

order for five jets from Italy's Alitalia (following Alitalia's cancellation two weeks earlier of an order for six McDonnell Douglas DC-10s), a \$63.2 million order for four jets from Trans-Brasil Linhas Aereas, an approximately \$60 million purchase of five jets by Greece's Olympic Airways, a \$1.39 billion order of 30 jets by Air Canada, and a \$157 million order for three jets by Thai Airways.

History, as opposed to Boeing's stockholders, will not remember the third quarter as a happy one for aviation, however. During the quarter, announcement was made that there would be no further production of the Anglo-French consortium's supersonic Concorde jet, the only commercial airliner that represents a significant new technology.

"Third world" and "fourth world" trade

Technology exports to the poorest of the LDCs, the so-called "Fourth World," were few and far between. The most interesting was a \$750 million floating power plant that Thailand contracted for from C. Itoh and Co. of Japan, with financing from Japan's Overseas Economic Cooperation Fund. When completed it will be the world's largest floating power plant.

The trade picture for the NDCs, those "Third World" countries with significant industrial capacity such as India, Mexico, and South Korea, was somewhat better, with continued commercial bank loans. India has continued to benefit from East-West rivalry. Just as U.S. nuclear, aerospace, and electronic technology progress took place largely as a byproduct of U.S. efforts to keep up with post-World War II Soviet efforts, Western industrial investments in India have been principally determined by a desire not to see the Soviet Union become too influential in India through the latter's major contributions to Indian industrialization. Thus the British-French offer of financial and technical assistance for a projected \$3.5 billion steel mill at Bangalore during this past summer—which seemingly flies in the face of European Community Industry Minister Count Davignon's call for a rationalization of world "excess" steel capacity—is readily understood in the context of a Soviet second-quarter commitment to finance and build a 3.5 million tons per year steel plant at Vishakapatnam. This Soviet commitment followed another Soviet commitment two months earlier to assist India in building two giant canals for drought prevention, at a cost of \$25 billion over 15 years.

Other significant technology-export deals benefiting the NDCs were:

(1) **The Republic of China (Taiwan)**'s receipt of \$212.5 million Eximbank loan to finance the second phase of construction of a \$1.8 billion integrated steel mill for the China Steel Corp. Among the U.S. suppliers are Dravo Corp. and Combustion Engineering. The ROC also purchased three power plants during the third

quarter, two from General Electric (a \$90 million deal) and one from Switzerland's Brown Boveri (a \$40 million deal).

(2) **Brazil's** August agreement with Japan's visiting minister Sunao Sonoda to negotiate over \$2 billion in development projects. Also received from Japan during the same month were two loans totalling \$113 million, one of which is earmarked as a contribution to port-expansion at Tubarao as part of a \$2.7 billion joint steel project. During the same period, however, it was announced that the \$400 million powerhouse project in the Amazon basin, for which France's Schneider Em-pain group is the major contractor, would be delayed in the wake of Brazilian budget cuts.

But, the NDCs' industrialization plans are threatened by the new GATT pact, which is against subsidies to industry.

West Germany was surprisingly inactive in the third quarter with regard to major project starts in both the "Fourth World" and the NDC sector of the "Third World," confirming a tendency since the beginning of the year for the Germans to concentrate on European and Comecon developments. The one exception was Kraftwerke Union's above-mentioned Argentinian nuclear contact.

East-west trade

A number of important East-West trade deals were concluded during the third quarter between Western European countries and the Comecon group, as an outgrowth of the detente thrust initiated by West German Chancellor Helmut Schmidt's groundbreaking May 1978 agreement with Soviet Premier Brezhnev. West Germany and East Germany have concluded a \$3.28 billion, six-year barter agreement (West German coal and crude oil in exchange for East German gasoline and petrochemicals). France has also concluded a bilateral trade agreement with East Germany, initially involving joint production of machine tools in France for sale in both countries as well as in third country markets.

Poland was the beneficiary of a \$900 million credit line from a Japanese banking consortium. A significant portion of this credit will be used for purchasing foundry and chemical equipment. The Soviet Union will be getting a \$200 million plus steel plant at Novolipetsk from Armco Steel (U.S.) and Nippon Steel Co. (Japan). The USSR also received a one-year extension of its expired five-year trade pact with Italy, worth \$300 million a year in business for both countries.

Trade with the OPEC sector

Despite the knocking out of pro-development Iran in the first quarter, major project contracts continued to be issued by the OPEC sector during the third quarter, with activity by Saudi Arabia being conspicuous and

with a significant amount of telecommunications equipment purchases being registered. Sweden's L.M. Ericsson was the most prominent beneficiary.

During the third quarter, the Saudis placed:

A \$1 billion plus order with the Japanese for desalination units for the new city of Jubail, and a 550 megawatt power plant;

An \$800 million order for computer-controlled telephone equipment with Sweden's L.M. Ericsson and Holland's N.V. Philips (This is the largest single order in the history of the telecommunications industry);

A \$250 million preliminary order for an ammonia-urea fertilizer complex with Pullman Kellogg (U.S.) and a Republic of China (Taiwan) partner;

A \$220 million order for 16 gas turbines with General Electric.

Libya ordered a \$550 million package of telecommunications equipment from an Italian consortium of concerns linked to the Agnelli family.

Iraq ordered a six-lane expressway from Japan's Marubeni Corp., the biggest construction deal ever won by a single Japanese company.

Nigeria was active, ordering an \$80 million propylene plant from a subsidiary of Italy's Montedison, and a \$188 million metallurgical and engineering plant and other capital goods from Hungary, Czechoslovakia, and Norway.

OPEC bilateral deals

A number of Western European countries, above all Italy, moved aggressively after the post-Iran oil hoax to secure their oil supplies through country-to-country contracts with various oil-producer states. Japan, for example, in August concluded an \$8.2 billion deal for the purchase of 36.5 million barrels of Mexican crude over a period of ten years. This tendency for bilateral state-to-state purchase agreements, already noticeable in the first and second quarters, began to be supple-

mented in the third quarter by occasional actual oil-for-technology deals:

Greece, for example, will receive one-third of its oil requirements from Libya in return for Greek construction projects in Libya and the establishment of an investment company to plan joint ventures, including a possible ammonia and fertilizer plant.

Venezuela will "up" its oil sales to Brazil from 20,000 barrels per day (bpd) to 50,000 bpd in return for Brazilian export of nuclear technology to Venezuela. Both countries will work together on tar-sands technology, with process-heat for tar-sands possibly supplied as a byproduct of nuclear energy generation.

France has concluded a \$100 million plus deal with Syria, involving transfer of telecommunication equipment and a Peugeot factory in return for gas exploitation rights.

OPEC itself has been doing a limited amount of development financing. Zaire was issued a \$157 million railway modernization loan by OPEC, while OPEC-member nation Saudi Arabia's Fund for Development issued a \$200 million loan to Pakistan for a thermal power station, dam construction, a fertilizer factory, port construction and for diesel locomotive purchases.

'China Card' trade

During the third quarter, there were reinstatements of several billion dollars in cancelled orders by the People's Republic of China. The most important restitutions were enabled by major concessions from Japanese vendors. Meanwhile, Walter Mondale during his China visit promised China \$2 billion in trade credits over five years. Headed by the Banque du Commerce Exterieur, there is a \$2 billion credit line from France for computers, machine tools, and other nonmilitary goods. Britain moved ahead with plans to provide both civilian and military technology to China.

—Richard Schulman

The end of the Camp David era

WHAT NEXT?

The resignation of General Moshe Dayan from his post as Foreign Minister of Israel on Oct. 21 has not only plunged the Israeli government into crisis, but bares before the eyes of the world the abject failure of U.S. policy in the Middle East. Dayan, more than any other Israeli, symbolized the Camp David treaty, and his resignation from Menachem Begin's government symbolizes the fact that the Egyptian-Israeli pact contained in the Camp David framework has come to a dead end.

The Dayan resignation will lead to a rapid unraveling of the American-Israeli strategy in the Middle East. Cyrus Vance and Zbigniew Brzezinski virtually imposed Dayan on Prime Minister-elect Begin following his stunning electoral upset-victory in May, 1977. It was Vance and Brzezinski who dispatched Rabbi Alexander Schindler, then-President of the Conference of Presidents of Major American Jewish Organizations, to Jerusalem to urge Begin to bring Dayan into the Cabinet, in order that Begin's government, already tinged with an extremist character, not appear entirely unpalatable. Then, it was Dayan, upon being appointed, who traveled to a series of secret meetings with Egyptian officials that eventually led to the Camp David Summit in Sept. 1978.

The Carter administration has virtually admitted that the Camp David framework has collapsed. U.S. Special Ambassador Robert Strauss, who is charged with representing the United States at the Egyptian-Israeli talks on Palestinian autonomy, stated bluntly that he does not expect the U.S., Israel, and Egypt to be able to put together a formula acceptable even to a moderate fraction of the Palestinian population. "I have reason to believe that we will complete the work assigned to us," declared Strauss, who added that he hopes only that Jordan and the Palestinians will be "leaning over our shoulder" by the time the May, 1980, deadline draws near. Then, in a statement to a House subcommittee, Strauss was even more pessimistic, ad-

mitting that between Egypt and Israel, "not one single iota of an agreement" has been reached that he could cite as a potential success. This admission, which hit several capitals like a bombshell, can only be seen as the obituary for the Camp David process.

What is at stake is the entire policy outlook that, since the October 1973 Middle East war, has dominated the U.S. administration and the Council on Foreign Relations (CFR). For Carter, the Egypt-Israeli pact has been portrayed by media men as the triumphant and most important foreign policy achievement of his tenure as chief of state. For the CFR and for NATO strategists, the Camp David pact was much more: it was the cornerstone for construction of a vast new military alliance across the Mediterranean and the Middle East, the "Middle East Treaty Organization," in which the NATO allies would work through surrogates for the control of the oil resources of the Persian Gulf. That strategy—reiterated by Sen. Henry Jackson on Oct. 21—is still desired by a major faction of the Anglo-American establishment, but because of the firm opposition from Western Europe, the Arab world, and the Soviet Union, Camp David can no longer serve as the vehicle for it.

Once again, the Middle East is up for grabs. The Americans are groping for a new—or newly packaged—policy. By mid-November, the member states of the Arab League will convene a summit meeting to discuss the next phase of the Arab strategy, probably in conjunction with Western Europe. There are rumors of a major new European initiative to bring the Palestine Liberation Organization into the picture. That, according to European sources, is in turn part of a package-deal involving tighter European-Arab economic and financial ties, which would include a closer integration of the European Monetary System with the resources of the Arab oil-producing countries.

In the short term, the resignation of Dayan will lead

to a rise of tensions in the Middle East, especially along the Lebanese and Syrian border. Deprived of its "moderate" anchor, the Begin government is expected to drift sharply to the right in order to preserve the coalition. In particular, the new Renaissance Party led by physicist Yuval Neeman gained momentum in recent weeks, and many of Begin's supporters are being drafted toward Neeman's bloc. Neeman has adopted an extremist position in favor of outright annexation of the occupied territories, including the Sinai peninsula, and the cancellation of the Camp David accords.

But the Carter administration and the Anglo-American faction is now confronted with a deep dilemma. With its Middle East policy in shambles, the Americans and the British are, for the first time, in danger of losing control over the policy-developments in the area to a coalition of Arab and European partners backed by the Soviet Union. It is that dilemma, and its implications, that we examine in this section.

Camp David post mortem

What happened to Camp David?

The strategy itself was based on a fundamental miscalculation. When the Carter administration and the British engineered the separate Egypt-Israel treaty, they did so with the mistaken expectation that the voiced opposition from moderate Arab countries such as Jordan and Saudi Arabia would disappear, and that King Hussein and the Saudi royal family would eventually join in, bringing at least some Palestinians with them. Not only did that not occur, but so far the negotiators have been unable to induce even a single Palestinian representative to join in the talks.

Second, although Washington did not immediately expect Western Europe to rejoice in support of Camp David, the almost complete refusal of the Europeans to back the separate Egyptian-Israeli peace had not been predicted by the Camp David architects. The reason is clear: from the start, Camp David was calculated by the Anglo-Americans as a challenge to the Arabs, and implicitly to OPEC. Hence, any European support for the treaty would have been taken by the Arabs as a sign of outright hostility. Europe, especially France and West Germany, was certainly not willing to risk its delicate and important strategic relations with the Arabs because of American pressure to support Camp David.

Since Camp David, in fact, the Europeans have taken giant strides in establishing a close working relationship with the Arabs. On the financial level, the European Monetary System is cooperating closely with the Arabs to hammer out the details of a new world monetary system linked to gold. Meanwhile, the European governments are working with the Arab oil-producing countries to increase the level of state-to-state oil sales and oil-for-technology deals that, for the most part, bypass the multinational oil companies. Finally,

France, Ireland, Spain, and the European Community as a whole have taken major steps toward official recognition of the PLO; should Europe recognize the PLO, it would be a break with American policy in NATO unprecedented since World War II.

With each passing day that the sterile Egypt-Israel pact sits there, unable to attract even passing Arab interest, the United States loses more friends both in Europe and the Middle East.

So, the CFR and its Carter administration are forced to choose between two unpalatable—for them—alternatives.

On the one hand, there is a powerful faction which demands a military showdown with the Arabs and the Soviet Union to break resistance to Camp David. They advocate that Israel escalate tension along the Syrian

**A Zionist tells the Zionists
to return to Geneva.**

—See page 26

border, in the context of a massive U.S. military buildup in the region. Led by such spokesmen as Alexander Haig and Henry Kissinger, this faction is prepared for an eyeball-to-eyeball confrontation with the USSR in the Middle East. But more level-headed and realistic policy makers in the CFR clique are aware that such a scenario is likely to lead either to World War III or to a humiliating U.S. backdown in which Soviet troops and armor backing the Arabs would hand Israel a stunning defeat.

On of the other hand, gradually surfacing is a somewhat larger faction of the CFR which believes that it is necessary for the whole Camp David pact to be superseded by some more comprehensive policy that includes, inter alia, a near total withdrawal by Israel from the occupied Arab territories and the establishment of some kind of Palestinian "homeland." But the question that this faction—which includes the traditional "Arabists" and patricians such as George Ball—is unable to answer, is: Once such a process is begun, can the Anglo-American bloc maintain control over the end result, or will the Europeans and the Arabs simply seize control of the Middle East mechanism? If the latter, it is clearly not an acceptable alternative, from their point of view.

Nevertheless, it appears as if, sooner or later, Washington may have to adjust to that reality.

At present, the State Department and most of the CFR

policy establishment have decided to stall for time.

To accomplish that objective, and to draw attention away from the failure of Camp David, State Department special envoy Philip Habib will arrive in the region this week to set into motion a new American initiative over Lebanon. That crisis, which worsened again last week, is to be discussed with Syria, Lebanon, Jordan, Israel, and Saudi Arabia, along with the Vatican, with the State Department seeking some roundtable discussion among all parties to the dispute. If that can be set up—which is extremely unlikely—then the U.S. hopes to turn it into a kind of “Camp David north,” in which Syria and Jordan can be set against the PLO by offering them partial Israeli withdrawals from the Golan Heights and the West Bank.

Another initiative is that of John Connally, who proposed a comprehensive plan for a peace settlement based on nothing more than naked American military power, a string of U.S. bases in the area, a new Indian Ocean fleet, and so forth. The sheer scope of the Connally plan (see below), which he has made into the basis of a Presidential campaign fight, indicates that it is designed to serve as a discussion paper for a Middle East policy that can replace Camp David, which Connally says bluntly is incapable of bringing the area to the next phase because of Arab opposition.

And finally, there is Moshe Dayan, who is Israel's most sophisticated politician, has been exploring alternatives to the present form of Camp David for a while; but he is committed to ensuring that whatever policy eventually emerges will be merely a linear extension of the Camp David strategy. On the eve of his resignation, Dayan announced that he would support a unilateral dismantling of the military-government apparatus in the West Bank and Gaza and the establishment of “local police forces” to replace the Israeli troops that now patrol the area, as a carrot to induce resident Palestinians to participate in the autonomy talks. Beneath the surface, however, the pot is boiling in Israeli politics. Things aren't moving in Dayan's direction.

—Robert Dreyfuss

Mideast Institute meet a flight from reality

On October 5 and 6, approximately 800 Middle East specialists, academics, businessmen, and representatives of the intelligence community, gathered together at a Washington hotel to be told what the vast majority of them knew to be a lie: that the Camp David peace approach, “for all its shortcomings,” is still viable, and must, somehow be kept alive.

“I find it unconscionable that President Carter is not getting his due for intervening in securing the Camp David pact,” intoned Hermann Eilts in his keynote address to the conference. Hammering away on this theme, Eilts, former ambassador to Egypt and one of the principal negotiators of the Camp David accords, told the largely bored audience that “without the personal intervention of Jimmy Carter, Camp David never would have happened.” “No president but Carter,” Eilts continued, “has realized the centrality of the Palestinian issue.”

The event at which Eilts was speaking was none other than the 33rd annual conference of the Middle East Institute, entitled “The Middle East After Partial Peace: What Lies Ahead?” The conference's answer to that question was: who knows?

What was remarkable about the conference was not the mere fact that such a large number of top Middle East policymakers had assembled to listen to such drivel. The most striking aspect of the entire affair was the utter bankruptcy of policy being put forth at the conference. Indeed, for the most part, no policy, let alone strategy, was being put forth at all.

To understand what went on at the Middle East Institute conference—and what didn't—it is necessary to understand what, in fact, the Middle East Institute is.

In a nutshell, the Institute was founded at the end of World War II as an outpost of British intelligence in the United States. Formally affiliated with the School of Advanced International Studies (SAIS) of Johns Hopkins University—whose directors proudly describe the Camp David treaty as “a SAIS conspiracy”—the Middle East Institute is also a sister institution of the Ditchley Foundation in London, perhaps Britain's top collection of policymaking aristocrats. The Middle East Institute also operates in coordination with the Council on Foreign Relations in New York, an outgrowth of the Royal Institute for International Affairs and the main policymaker for the Carter administration, and the

Republican and Democratic parties' national leadership as well.

The conference was opened by L. Dean Brown, president of the Institute, and George R. Packard, dean of the School of Advanced International Studies. After calling Camp David "a SAIS conspiracy," Packard stressed the importance of Camp David in the "maintenance of the post-war economic system" worked out at Bretton Woods. Packard's statement reflected the fact that what is really behind the Camp David accords is not concern for peace in the Middle East, but a preoccupation with stopping the consolidation of a new monetary system to replace the International Monetary Fund around the core provided by the European Monetary System.

Herman Eilts then presented the keynote address. Throwing his weight behind Camp David, Eilts took the occasion to introduce one of the central themes of the two-day conference—that technology and Islam don't mix. "It took a fundamentalist revolution in Iran to show Americans the repellent effect that the excessively rapid introduction of technology in the Middle East can have," stated Eilts. He continued by praising Iran's sudden shift toward feudalism and deindustrialization as "constructive neutralism."

No alternatives

A panel discussion presented by Michael C. Hudson (Executive Director of the Center for Contemporary Arab Studies at Georgetown University), Michael E. Sterner (State Department), William B. Quandt (The Brookings Institution and former member of Zbigniew Brzezinski's National Security Council), and Robert J. Cummings (Howard University) followed Eilts' presentation. Acknowledging that Camp David's momentum is fast petering out, Sterner gleefully stated that "fortunately the rejectionists have not put forth an alternative plan." Then, framing his remarks in the Cold War context of the "growing Soviet threat to the region," Sterner lied about what is at stake: "If the peace process can't be kept alive, Soviet inroads into the Middle East will escalate."

Picking up on this theme, Quandt, who is operating of the Brookings Institution as Zbigniew Brzezinski's "free agent," lauded Camp David as "a sincere attempt for a comprehensive peace settlement" and scored "those cynics who say Camp David does not provide for an overall peace." However, Quandt continued, "we are approaching the end of the period during which Camp David can be pushed forward ... By next year, Camp David will lose its credibility, and then we'll have a problem."

The only solution to the problem, Quandt suggested, is to hound the Jordanians and Saudis into getting on board. "The United States has done very little to get Jordan to cooperate. The same with Saudi Arabia. The

U.S. has also been excessively timid vis-a-vis the Palestinians." Then, in a sharp insult to the Arab world, Quandt dismissed out of hand Arab objections to Camp David. "There is nothing in the Camp David process offensive to the Arabs."

After several hours of reinforcing the audience's sense of helplessness and despair, the conference was opened up for questions and discussion from the floor. One uneasy attendee raised the possibility of a return to the comprehensive peace framework of Geneva in light of the obvious limitations of Camp David. Michael Hudson rudely refused to answer the query, dismissing it as a "procedural question." "A Geneva conference would not be fruitful," he stated. He then went on to lecture the audience on the "dangers of formalism" in considering a joint U.S.-Soviet peace conference.

EIR on the scene

In an effort to fracture the environment and force a return to reality, Robert Dreyfuss, Middle East editor of the *Executive Intelligence Review* demanded that the panelists—in particular, William Quandt—address themselves to "the reality that France, West Germany, and the countries of the newly established European Monetary System have determined to replace the International Monetary Fund with a new set of global institutions." "Part of the package," stated Dreyfuss, "is the expansion of the new European Monetary System and a comprehensive peace that will destroy the Camp David pact. In refusing to cooperate with the Europeans, the Arabs, and the Soviet Union for the establishment of a new monetary order and a comprehensive peace, the U.S. is gunning for war. How do you expect the Arabs to line up behind Camp David when the prospects are so promising of working with the Europeans—who are moving openly toward a break with official U.S. policy by recognizing the PLO—for an overall settlement?"

The dozing audience suddenly became alive with excitement. To put the lid back on the situation, Quandt totally dodged the question. "I have absolutely no knowledge of Europe's monetary moves," stated Quandt. "Nor do I subscribe to the exotic metaphysical connections you have made between economics and politics," he added incredibly. Then, eyeing the audience, he acknowledged: "I'm not much of an economist."

Despite Quandt's curt dismissal of the issue raised, Dreyfuss's question succeeded in striking a chord of positive response from numerous businessmen and intelligence officers at the conference who are horrified by the administration's—and MEI's—insistence on skirting the reality of Camp David's demise. The U.S. is getting locked out by the Europeans. For the remainder of the two-day conference, numerous conference attendees congratulated Dreyfuss on his intervention in

the proceedings and followed up his query with related questions of their own for the panelists to answer.

Khomeini embraced

One of the most disturbing panels took place the afternoon of Oct. 5. Speaking as part of the panel, James A. Bill, a professor at the University of Texas and one of the architects of the revolution in Iran, presented what amounted to an apology for the feudalist, fanatic Ayatollah Khomeini. At the end of his speech, Bill made six "policy suggestions" for the U.S. to follow:

(1) The U.S. should admit some of its past errors in Iran, i.e., its hesitancy to openly back the Khomeini takeover.

(2) The U.S. must begin speaking favorably of the Khomeini revolution.

(3) The U.S. must begin studies on Iran's culture, religion, and related matters to better appreciate and spread appreciation of the Khomeini takeover.

(4) The U.S. must send a new breed of foreign service officers to Iran who appreciate Khomeini.

(5) The U.S. must express its support for Khomeini by sending in agricultural and technological aid.

(6) The U.S. must not contact exiled Iranians who want to drive Khomeini out of power and establish a republican form of government committed to industrialization.

The following day, during a question-and-answer session, EIR editor Drefuss challenged Bill and the officers of the Middle East Institute to explain this outrageous endorsement of Khomeini in light of the fact that Europe and the Arabs—as well as the U.S.S.R.—will soon put an end to the Khomeini cancer that has overrun Iran "because he threatens the economic development and political stability of the entire region." Panel moderator Dayton Mak punted: nobody is qualified to answer Dreyfuss' question, he said.

Doom and Gloom

The rest of the conference was doom and gloom, with no solution in sight. James H. Noyes of the University of California at Berkeley ticked off a series of catastrophes that are about to engulf the Middle East: Iran is on the verge of disintegrating, affecting the world's oil supplies; Iraq could disintegrate as well; the Gulf states are also on the brink; the Soviets are building up a "beachhead" in South Yemen and Afghanistan. Endorsing Bill's six-point program for U.S. policy toward Iran, Noyes talked of the "growing panic in the U.S. over the collapse of Iran's role of policing the Gulf," a role that the U.S. can readily fill. "We are extraordinarily vulnerable in the Gulf," Noyes shrieked, plugging proposals for a U.S. military intervention.

—Nancy Coker

John Connally urges armed takeover

In a major policy statement that harked back to the coldest days of the Cold War, Republican presidential candidate John Connally called this week for a U.S. military takeover of the Middle East from the Mediterranean to the Persian Gulf and Iran.

Connally pledged a massive increase in U.S. naval presence in the Indian Ocean, the creation of a new Fifth Fleet, American bases in the Persian Gulf and Oman, U.S. air force bases on the Sinai peninsula, and the establishment of a Middle East Treaty Organization linked to NATO and committed to "taking on the Soviet threat" to the region.

To entice "moderate" Arab states into tolerating the plan, Connally endorsed "self-determination" for the Palestinians and the possibility of an "independent entity" in the occupied West Bank and Gaza after Israel withdraws.

Almost as soon as the plan was made public, it drew sharp denunciations from Western Europe and the Arab world. When asked about Arab opposition to the Connally plan, Sam Hoskinson, a former CIA agent who is campaign coordinator at Connally-for-President headquarters, replied, "tough shit."

Hoskinson, who authored the plan along with such other Connally consultants as Fletcher School professor W. Scott Thompson, Wall Street lawyer Rita Hauser, Charles Walker, and the Committee on the Present Danger, also voiced the negative attitude toward Europe the candidate will adopt in his presidential race. Connally has already stated his opposition to the European Monetary System, and has endorsed the genocidal Pol Pot regime of Kampuchea.

The presidential policy statement released by Connally is the first sign of a serious statement on an issue by any contender except for Democratic Party candidate Lyndon LaRouche. Connally's efforts, however, runs directly counter to LaRouche's development-oriented, Europe-linked Middle East peace formula.

Excerpts of the Connally proposal follow.

In some quarters, there is presently a notion that no serious attempt to achieve a comprehensive Middle East settlement should be pressed until after our elections in 1980. Advocates of this course propose that our government try merely to keep the peace process alive by focusing on preparatory discussions, peripheral issues and frequent expressions of faith and optimism until our presidential election is out of the way.

In my view, such temporizing is unacceptable. The quest for peace should never be secondary to domestic politics. Playing for time always involves risks. To play for time in regard to a region where the fuses are so short as in the Middle East would be to play a most dangerous game.

Tensions which threaten the peace span the globe. Nowhere, though, are the stakes so high as in the Middle East.

The oil of the Middle East is and will continue to be the lifeblood of Western civilization for decades to come. The continued flow of oil from that region is and will continue to be critical to the realization of the aspirations of the millions who live in the developing world.

Soviets and Palestinians

The Soviets clearly benefit from continuing regional instability. The constant tension and warfare in the region provide them with virtually unlimited opportunities for exploiting the free world.

Because of this, we cannot count on Soviet help to bring peace to the Middle East. On the contrary, we should expect them to throw every road block they can think of in the way of peace. We must simply move ahead without them and in spite of them.

It is vital to neutralize both the Soviets and the extremist Palestinian elements.

We should also be willing to give the Palestinian leadership a chance to talk provided they are prepared to accept Resolution 242 and hence the territorial integrity of Israel, and renounce all terrorist tactics.

Peace plan and diplomatic strategy

1. Except for minor border rectification, mutually agreed upon, Israel must withdraw from the West Bank, Gaza, and Golan, all of which will be demilitarized. Israel would, however, be permitted to lease military strongpoints in each of these areas for a mutually agreed upon period of time, and have guaranteed access to these points.

2. All Israeli civilian settlements, including the so-called paramilitary ones must be withdrawn from the West Bank, Gaza, and Golan

3. The Palestinian people should decide for themselves whether they prefer the West Bank and Gaza to be governed as an entirely independent entity *or* to be an autonomous area within the Kingdom of Jordan. The latter approach has great merit and should be thoroughly explored....

8. The United States should organize a new treaty alliance to cover the Middle East, as a further guarantee of the ultimate settlement, and to protect regional oil fields and shipping lanes from Soviet or terrorist interference. The alliance should include Israel, the moderate Arab states, NATO and Japan.

The geostrategic vortex of the struggle between the Free World and Communism has shifted to the Middle East and all of the states with a critical interest in its outcome should bear their fair share of the defense burden.

Therefore, for the critical key that can make a reality of the previous eight points, the United States should maintain a strong military presence in this vital area, including major Air Force components. It may be possible, for example, to lease the former Israeli airfields in the Sinai.

I would propose further that we take elements of the Sixth Fleet in the Mediterranean and the Seventh Fleet in the Far East and, with such augmentation as necessary, create a Fifth Fleet to be stationed in the Indian Ocean.

An immediate approach should be made to the Sultan of Oman with a proposal to develop Masirah Island or other appropriate site into a U.S. naval base to support the new Fifth Fleet and provide security for the Arabian Sea and the strategic Straits of Hormuz.

Since World War II we have maintained military forces in the Far East and Western Europe.... We must now provide a military shield for our Middle East interests as well.

**Israel: the biggest
government crisis ever**

Israel has now entered what France's *le Figaro* newspaper Oct. 23 justly called "one of the gravest crises in its history." As a result of the stall in the Camp David talks, a domestic economic collapse rapidly getting out of control, and a government coalition permeated by corruption and malfeasance, the Israeli situation has become more polarized and chaotic than ever before.

The danger of an actual fascist insurrection, or an overtly annexationist government coming to power, looms very large.

Public awareness of the depths of the crisis has been catalyzed by two major events that took place this week.

First, Israeli Foreign Minister Moshe Dayan resigned, citing the government's failure to soften its position toward the Palestinian Arabs, and counterposing his own, more "pragmatic" approaches to the problem.

While the departure of the "pragmatic" voice from the cabinet could force leading Israelis to come to grips with the failure of Camp David in an honest fashion,

in the immediate term Dayan's departure will strengthen the faction led by Agriculture Minister Ariel Sharon that seeks the annexation of the occupied West Bank territory and deploys the Gush Emunim fanatics as an instrument to this end.

Second, the Israeli Supreme Court made an unprecedented decision, ordering the controversial Gush Emunim settlement at Elon Moreh on the West Bank to be dismantled. The settlement was established for ideological rather than security reasons, said the court; it was therefore a violation of the Hague and Geneva international conventions pertaining to territories occupied by force.

Again, while the Supreme Court decision *should* be a boon to "realist" and "moderate" factions inside Israel, it also could provoke a preemptive move by extremists to modify Israeli law to give legal cover to annexation. Cabinet members of the Gush-influenced National Religious Party have already issued appeals for Israeli law to be made more "Zionist" and associates of Sharon and Israeli nuclear bomb architect Yuval Neeman, founder of the fascist Renaissance (or "Tehiya") Party, have called for the territory's outright annexation.

As Le Figaro noted, "The danger of Israel being divided between those who believe in 'state law' and those who, like the leaders of Gush Emunim, believe in the 'superior divine law' and in 'Jewish history,' is quite real."

"A nail in the coffin of peace"

Prior to this week's events, a perceptible hardening was setting in in Israeli policy toward the West Bank.

According to the Jerusalem Post Oct. 17, the Cabinet has mapped out "copious and detailed material" for the creation of six new West Bank settlements during 1980, which would be "coupled with the strengthening and stabilizing of existing settlements" and the "channeling (of) more manpower and resources to develop West Bank settlements."

Three days earlier, the Cabinet voted to prohibit government expropriations of private Arab lands, but to sanction use of significant amounts of other kinds of land—a nifty legal technicality that was fully endorsed by Sharon, and by the Gush Emunim itself. While the Anglo-American press reported this as "moderation," a top National Religious Party leader, Yehuda Ben-Meir, was more honest. According to the Oct. 17 Jerusalem Post, Ben-Meir identified the "true meaning" of the Cabinet decision to be the "creation of a whole new category of West Bank land considered fit for seizure without even a formal order."

Conversely, Arab leaders on the West Bank reacted to the decision as an extreme provocation. Bethlehem Mayor Elias Freij, hardly a radical, called the decision "a nail in the coffin of peace," a "flagrant aggression

against our existence. ... Each existing settlement will be enlarged and re-enlarged, and this will be a physical danger to the people of the West Bank and Gaza."

The Cabinet has been acting under pressure from Gush Emunim, which has been provoking confrontations with the army and unilaterally expanding illegal settlements to assert their "divine right" to control "Judea and Samaria," the Old Testament names of the West Bank. As the Jerusalem Post editorialized Oct. 16, the government is facing a "planned, protracted insurrection by elements that seek to feist their own policy upon it."

But, as the Post went on to say, the "Gushies" are not acting alone: they are getting enthusiastic support from Neeman's Renaissance group.

Neeman is posing the gravest threat Israel's pro-

'Israel's worst mess'

The following article, entitled "Israel's Worst Mess," was published in the Baltimore Sun Oct. 12. The article was authored by Ruth Cale, the Sun's Jerusalem correspondent.

"Unless a miracle happens, the disintegration of most of Israel's public services will set in later this month, threatening the nation's social, moral and economic fabric, and possibly even its democratic system.

"Head over heels in debt while the Finance Ministry has reneged on its commitments to them, city governments run the risk of grinding to a halt, since they won't be able to pay wages and buy gas for their garbage disposal trucks. ...

"Like a landslide picking up speed, economic and social disaster has been threatening for a long time. But Prime Minister Menachem Begin's coalition government, paralyzed by vicious infighting, has failed to ... begin to stop the rot. ...

"What is needed for a start, according to economists of the central bank and universities, are drastic measures that will sweep thousands of redundant public employees out of their jobs, thereby significantly reducing the budget and the printing of banknotes. ...

"For months the Prime Minister deferred decisions that would halt the economic decay. ... Mr. Begin adamantly rejected all suggestions that Treasurer Simcha Ehrlich be replaced. ... Political circles believed Mr. Begin was simply afraid to remove a brick from his wobbly structure for fear that it would bring the whole house tumbling down."

fessedly democratic system has ever faced. When he convened the group's founding convention earlier this month, with 3,000 enthusiastic supporters in attendance, Neeman remarked that "we have the Chief of Staff on our side" in justifying illegal escapades on the West Bank. As one former Israeli parliamentarian remarked upon hearing Neeman's speech, "Neeman is a Jewish fascist. This statement is a threat of a military coup. If someone would have predicted to me six months ago that Israel could have a military coup, I would have laughed. Now, I wouldn't laugh."

In an interview with the Jerusalem Post Oct. 12, Neeman was frank about his policy toward all the territories that Israel conquered in June, 1967, including the Sinai areas recently returned to Egypt under the Camp David accords. "All these territories must be annexed to Israel: the Golan, Judea and Samaria and Gaza must not be relinquished. The arguments against annexation are largely spurious."

These words are not coming from an ordinary Gush fanatic, but from a man who has a major impact on the Israeli scene. Neeman is the "evil genius" of Israel. He has been involved for two decades in procuring nuclear bomb and super-sophisticated computer technology for Israel's military and intelligence services, acting in collaboration with the most advanced scientific institutions in Great Britain, the United States, and, earlier, France. This "father of the Israeli atomic bomb" argues, convincingly to the minds of a stratum of Israeli military and strategic planners, that Israel must be a "mini-super-state," as large as possible in size, and able to control key developments in the Arab world, such as high-technology acquisitions.

Second, Neeman has in fact captured key elements in important parties in Israel. Factions in all of the Likud Party's main components—Herut, Liberal, and La'am—are either officially or unofficially working with Neeman, and the Gush-oriented younger-generation base of the National Religious Party (NRP) is overtly pro-Neeman. This has pushed the NRP oldtimers, including Camp David "autonomy" negotiator, Interior Minister Yosef Burg, into a more extremist posture vis-à-vis the occupied territories and relations with the Arabs. According to the Jerusalem Post Oct. 17, the Renaissance Party is a "bigger threat to the NRP" than to any other party in Israel.

Third, Neeman is receiving sympathy from an identifiable extremist faction in the U.S. Zionist camp. According to an Israeli source, "the same people in the U.S. Zionist movement who like Gen. Alexander Haig like Neeman, and for the same reasons." The source noted that Haig will be a keynoter at the Zionist Organization of America's Oct. 24-28 International Leadership Conference in Miami, Florida and that "many of the organizers of that conference lean toward Neeman in their political views."

Economic collapse

The Neeman threat would be far less serious in Israel were it not for the state of the country's economy. Israel stands at the brink of economic catastrophe.

Last week, the Israeli Central Bureau of Statistics admitted for the first time that Israel's annual rate of inflation has reached the triple-digit 100 percent rate. France's *Le Monde* Oct. 24 commented that this figure was an underestimation: inflation is already topping 120 percent.

Particularly devastated are Israel's municipalities. The Local Authorities Union, the central coordinating body for Israeli cities, has resolved to shut down city services in protest against the government's refusal to provide adequate funding for repayment of accumulated municipal debt. The pro-austerity Finance Minister, Simcha Ehrlich, has ridiculed the municipalities' claims that they have 14.2 billion Israeli pounds in outstanding debt. The mayors of the towns and cities have countered by planning a "protest action" against the government, which, according to the Jerusalem Post Oct. 16, will mean "action to paralyze services," including nonpayment of October salaries to city workers and nonpayment to contractors doing vital work for the municipalities.

Surfacing of the "doves"

In response to the grave crisis facing Israel, Israel's "doves" and British-linked "realists" such as former Foreign Minister Abba Eban have begun to awaken from a slumber that set in with the 1977 rise to power of the hardline Likud party and the 1978 signing of the Camp David accords. They have not yet addressed the country's economic problems, but have concentrated their fire on Israel's relations with the Arabs.

Recent meetings have taken place at which the "doves" have mounted a challenge to the Labour Party's refusal to work towards negotiations with the Palestinians on a Palestinian state. At one meeting, Yassi Sarid exclaimed, "A Palestinian state will be set up whether we like it or not. The Allon Plan (a traditional Labour platform which calls for annexation of approximately one-third of the West Bank—ed.) is not realistic."

Earlier this month, Eban authored a piece for the *Jewish Chronicle*, mouthpiece of the British Zionist community, which urged Israel to "take for granted" that a Palestinian state would come into existence and to work for the creation of an Israel-Palestine-Jordan "Benelux" arrangement.

Addressing himself to the Allon Plan, Eban noted that "if you are going to demand 33 percent (of the West Bank) you might as well demand 100 percent. Your chance of getting Arab agreement to the one is no greater than your chance of getting it to the other."

—Mark Burdman

Goldmann: Zionist challenges the Zionists

Nahum Goldmann, the Zionist leader who has been outspoken in his criticism of Israeli government policy in a series of statements to the press this year, brings to bear seventy years of experience in Zionist and Israeli politics in his critique. Goldmann has been involved in the Zionist movement since the World War I period, beginning with activities in Frankfurt, Germany.

According to accounts in his autobiography, "Sixty Years of Jewish Life," written in 1969, Goldman always differentiated himself from the more narrow and constricted worldview of most Zionist leaders and rank-and-file. Goldmann claims that from his early years he developed an "absence of a Jewish inferiority complex.... I have never been subject to the Jewish fear of

the dominance of the non-Jewish world.... In later years I had dealings with eminent leaders of non-Jewish peoples and countries.... I cannot remember any encounter ... when I had the least feeling of inferiority. I recognized that they were different, and in most cases more powerful, but never that they were superior."

This self-conception, plus a self-professed bent toward "neo-Kantian realism," has put Goldmann on the front-line of global Jewish affairs, as opposed to the more confined orientation to Palestine of most Zionist leaders. From his standpoint, Goldmann urged the creation of a World Jewish Congress, which came into being in 1936. From the same standpoint, he has been frequently, bitterly critical of the fixations of some of the Zionist movement's top leaders.

Thus, in his autobiography, he sharply attacks hard-line Zionist ideologues for their direct responsibility in the death of millions of Jews "by their failure, in 1937, to accept a British offer for the partition of the territory of Palestine into separate Jewish and Arab homelands. Goldmann is against this "inability to compromise, the determination to hold on to every inch of Palestine as something historically sacred, an unwillingness to re-

A return to Geneva —Nahum Goldmann

Among those in attendance when Mr. Nahum Goldmann addressed a synagogue in Cologne, West Germany in November, 1978, was Helmut Schmidt, the nation's chancellor. The following are excerpts from Mr. Goldmann's remarks:

... I would like to make a new peace proposal for the Middle East. It may appear to some very contrived, or even impossible. As far as I am concerned, despite its boldness, it is the only hope for solving a problem which has concerned the world public for the past 30 years.

... Today, I am more and more convinced that the course which Israel has taken over the past thirty years of its existence to reach peace and normalization of its relations with the Arabs, is false, and thereby condemned necessarily to failure.

...(In 1949) I envisioned a Jewish state, which would obligate itself to permanent neutrality; whose existence

and whose border would be guaranteed by the peoples of the world, primarily by the superpowers. It is to be counted among the political errors of my life, that I did not stand up for this idea ...

...(In 1949) the United Nations voted for the creation of a Jewish state, without even having consulted the Arabs. Here began our Original Sin (or downfall).

...(The political isolation of Israel is increasing, only the United States is still giving Israel support, and who knows for how long. The Arab world is ever more polarized, nations such as Saudi Arabia and Jordan are waning in their pro-American positions. Oil prices are rising more, with catastrophic consequences for the west. On top of all this, the delay in gaining peace has led to visible demoralization in Israel, a growth of organized crime, of the Mafia, of tax evasions, and so on.

... An American-Russian collaboration, such as that which lay behind the Vance-Gromyko Declaration of October 1977, is according to my view, irrevocable; it would have provided an excellent basis for a comprehensive peace, but, was defeated unfortunately by the Jewish Lobby.

It is my view that only an entirely new approach can lead to a solution. I propose that the United Nations reconvene the Geneva Conference...

ckon with realities." By contrast, Goldmann defines himself as the man who "finds a formulation by which everybody gains something."

The 1937 dispute with the Zionist hardliners stood Goldmann in good stead once Israel became a state. Since the early 1950s, he has taken several important initiatives and a sharply dissenting stand on a number of key issues:

—the negotiations with West German Chancellor Konrad Adenauer for monetary restitution for the Nazi holocaust against the Jews. Many Zionist leaders were against any dealings with Germany at all. This laid the groundwork for Goldmann's later good relations with members of the German and French governments.

—negotiations of a "Near Eastern Confederation" with Egyptian President Nasser, through the mediation of Indian leader Jawaharlal Nehru, in the early 1950s. The deal fell through because of Nasser's lack of confidence that Goldmann could "deliver the goods," i.e., win Israeli government support for the idea. And, in truth, Israeli Premier Ben-Gurion was more intent on launching the Suez expedition against Nasser jointly with Britain and France, a decision which embittered

Arab-Israeli relations for a decade.

—an insistence that Israel come to grips with the "reality" of living in the midst of an Arab majority. Goldmann has concretized this in his "confederation" idea, in related proposals for the "neutralization" of Israel, and in more recent proposals that Israel negotiate the creation of a Palestinian Arab state with the Palestine Liberation Organization, under the framework of international security guarantees made by the U.S., the Soviets, and continental Europe.

The overriding limitation of Goldman's policies is his softness toward British Fabian methods—the underside of his "Kantian realism." At one point in his autobiography, after he attacks the Zionist leadership for failing to make adequate overtures to the Arabs, he comments, "If the Arabs were Englishmen, peace could have been concluded between them and Israel long ago." Such a viewpoint could hardly endear Goldmann to those Arabs who resent British manipulation of Arab-Zionist tensions for the past century, and who rightly resent the Zionist movement's historical eagerness to play the role of British front-man in the Middle East.

...The goal of the conference would be negotiation of a comprehensive peace in the Middle East which would not only be guaranteed by the United Nations, which is too weak to give it credibility, but above all by the two superpowers, and by many other nations, primarily the Europeans

...Parallel to the neutralization of Israel, some kind of Palestinian state structure—whether in connection with Jordan or independent—would have to emerge, should the Palestinians have the option of deciding for themselves whether they similarly would want to take advantage of the same guarantees which also protect Israel's existence

...In contrast to the cold warriors, I am convinced that the Soviet Union has a moderating influence over the Arabs, and prevents them from plunging into a new war. In the past year, Foreign Minister Gromyko has officially committed the Soviet Union on two occasions to guaranteeing and ratifying a peace treaty between Israel and the Arabs.

Only such a comprehensive solution, as I propose, will give peace in the Mideast a chance. The treaty which Begin and Sadat have concluded will be psychologically unacceptable for the other Arab states, and leave Israel isolated in the Near Orient as a foreign entity."

LaRouche invites Goldmann to tour

Lyndon H. LaRouche, Jr., an independent candidate for the Democratic presidential nomination, has announced that he intends to cosponsor a nationwide speaking tour for Mr. Nahum Goldmann to make available to the internationally prominent Zionist leader a public forum to present his proposals for the solution of the Middle East crisis.

"While I do not always agree with Mr. Goldmann's views on many matters," Mr. LaRouche explained on Oct. 16, "I consider his contribution vital in upgrading the level of debate on which our Middle East policy in particular ought to be discussed. Mr. Nahum Goldmann's views, if presented to the American public, would contribute significantly in getting a real discussion on the Middle East going in this country.

"I also wish to invite my Republican counterpart, former Governor John Connally of Texas, as well as Senator Jesse Helms, to join me in cosponsoring a nationwide speaking tour for the respected Zionist leader," Mr. LaRouche concluded.

*A statement from the editors
of Executive Intelligence Review*

Is the Fed's Volcker actually insane?

The time has come to balance the accounts on Federal Reserve Chairman Volcker's recent depressing measures. No matter what deceptive label Volcker and the Carter administration choose to stick on the bottles of Dr. Volcker's horse linament, Volcker's package is by no means "anti-inflationary." Directly the opposite: it is the old "stagflation" President Nixon's Friedmanite period carried to extremes.

The foremost question in many people's minds is: what effect will this have on the November 1980 general elections—and on the primary elections now coming up fast. Among businessmen, trade union leaders and many other sorts of responsible spokesmen, the question is asked, is Volcker's bumbling the result of mere incompetence, or the result of something worse?

Already President Carter's re-election effort has been badly damaged by the spreading anger against Volcker's measures. Otherwise, comparisons of 1980 to 1929 will fill the media as well as private conversations around the nation.

A sign from New Hampshire

Two events, outside Manchester, New Hampshire, during the past week, highlight the kind of devastating effects the Volcker measures are already beginning to have on President Carter's re-election effort.

The first incident occurred in the context of White House staffer Stu Eizenstat's recent trip to New Hampshire, presumably to bolster the Carter-Mondale effort. The incident in question occurred at the outset of the question period, as Eizenstat addressed a meager gathering of about 40 locally prominent and other figures who were presumably supporters of the Carter re-election effort. After the third question, all three focused on the Volcker measures, Eizenstat rudely closed the meeting.

One former Carter supporter announced his intent to switch to LaRouche, another proposed to discuss making such a switch, and other members of the audience simply walked away in disgust.

Eizenstat's departure was followed by a rush trip by Vice-President Walter Mondale. Mondale scheduled a series of events. As the questioning began during the first of the scheduled events—again, on Volcker's measures—Mondale closed down the meeting. It was announced that the remaining scheduled events were cancelled.

How bad is Volcker's recession?

If we consider only the surface of Volcker's announced measures, his actions will cause approximately 15 percent recession of the U.S. economy during 1980. The contraction will not occur in the area of churning speculation, not in the inflationary flows within the internal economy—the contraction will cut flesh and bone out of basic production and employment.

If a significant further increase in oil prices charged by the multinationals occurs, as is probable, the recession will probably reach a 30 percent decline during 1980, most of this directly reflected in increased unemployment. If Volcker goes all the way, as he appears to be doing at the moment, if he institutes capital controls, blocking foreigners from loaning or investing in the U.S. economy, the U.S. dollar will become equivalent to "counterfeit cigar coupon money," and anything could happen as a result of the kind of chain reaction this would trigger.

It is important to emphasize that Volcker's measures will not halt the growth of inflation. As businesses are reduced in sales volumes to mere or below the breakeven point, they will be left with no other alternative but to go bankrupt or to raise their prices sufficiently to cover

the usurious borrowing costs they face merely to maintain turnover of essential operating capital.

There might appear some leveling off of the rate of inflation growth over some weeks. This could be the perceived effect of large-scale inventory limitation by cash-strapped firms. The present dumping of automobile inventories is an example in this period. However, once inventories are reduced, the combined effects of rising energy costs, rising borrowing costs, and a contracting market for consumer capital goods will force prices up at faster rates than during previous phases of the Carter administration to date.

The best possible estimate at this moment is that a new skyrocketing of rates of inflation will begin to take off during or at the end of January 1980.

Causes for hyperinflation

It is merely economic common sense that measures like Volcker's must cause the rate of inflation to skyrocket.

Since approximately 1957-58, the overall trend inside the U.S. economy has been of shrinkage in the percentile of the total labor force which is productively employed as operatives in agriculture, industry, mining, construction, and transportation combined. Meanwhile, early 1960s rates of increase in productivity of operatives, then approximately 7 percent improvement per annum, has slipped because of lack of capital-intensive investment, growing obsolescence and related considerations.

The result is that the portion of the labor force allotted to administration, services, and sheer waste has grown at the expense of the percentile of the labor force producing tangible, real values. Although administration and certain services are necessary overhead costs in both private firms and society otherwise, these costs are not costs for production but are overhead costs. So, the ratio of overhead costs to produced value has been rising at an increasing rate since about 1957-58. This is the underlying structural cause for the inflationary trend in the internal economy.

There is also a second cause for inflation. This involves not the average costs of production, but it involves monetary inflation outside the realm of production. In addition to money flowing through the economy for wages and other direct and indirect costs of production and distribution there has been a monstrous self-feeding growth in the ratio of money and credit flowing to areas of speculation which have no cause-and-effect relationship to production of wealth.

Curing inflation means, first, bleeding away money flows from speculative, nonproductive areas. This is the first, indispensable, short-term measure for halting the

present world hyperinflationary spiral. Second, while halting the purely monetary problem, we must reverse the post 1958 trend in employment back to emphasis on high-technology employment of skilled operatives in job places based on capital-intensive investment.

Every percentile of the labor force shifted to operative categories in high-technology, capital-intensive employment has a double effect in reducing structural inflation. It not only lowers the ratio of overhead costs, but converts the same overhead costs into wealth-creating production.

Volcker's measures have directly the opposite effect. They savagely contract employment in production of real, tangible new wealth, and concentrate a much larger portion of total money flows in the economy into the hyperinflationary churning mass of high-yield sheer nonproductive speculation. We saw the cruel logic of this in Nixon's "stagflation." Carter and Volcker have carried Nixon's Friedmanite blunders to a wild and deadly-dangerous extreme.

There is only one way in which Volcker's measures could lead to a halt in inflation: a depression worse than that of the 1930s. Such depressions stop inflation to exactly the extent that they bankrupt pension funds, wipe out savings and loans associations, eliminate perhaps two-thirds of our savings in commercial banks, and wipe out hundreds of billions of paper capital, especially real estate investments, with help from unemployment rates along 1931-1933 lines.

***"There is only one way
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that of the 1930s."***

Therefore, watchful observers tend to ask themselves whether Volcker, Miller and Carter's economic advisers are merely incompetent or downright insane.

Is Volcker insane?

Paul Volcker may be incompetent. He is incompetent in the same general sense that economist Lawrence Klein, John Kenneth Galbraith, and Milton Friedman are rightly to be regarded as "quacks" in their chosen

profession. Their so-called economic theory is not only wholly unscientific, but any government foolish enough to follow strictly the kind of advice flowing from such theories will sooner or later find its economy in the sort of miserable mess ours has attained.

It would be a mistake to go no further than that in explaining Volcker's hideous policy. In one sense, Volcker is all too competent. The inflationary misery his policies will bring to the United States during the early 1980s is not the result of Volcker's miscalculations. He has plainly stated earlier his adoption of a policy of "controlled disintegration" for most of the world's economy as well as the economy in the United States itself. Volcker is engaged in the deliberate sabotage of our economy, and of our national security.

For that, Volcker should be promptly impeached. Unfortunately, the policy of "controlled disintegration" is not Volcker's alone. It is the stated and argued policy of the New York Council on Foreign Relations (CFR). A neo-Malthusian ruin of the U.S. economy as well as the world economy, is the stated objective of Cyrus Vance, Zbigniew Brzezinski, W. Michael Blumenthal, and the other principals supervising the 1975-76 writings for the policy of "controlled disintegration" which presently govern the Carter administration as a whole.

Behind Volcker and the CFR's "controlled disintegration" policy stands that same neo-Malthusian policy which led the notorious Club of Rome to propose that the world's population must be reduced in the order of as low as one billion persons by the year 2000. The London Royal Institute for International Affairs (RIIA) also adopted that same policy of mass genocide in its "Project Year 2000" policy guidelines. The CFR was created as the U.S. branch of the RIIA at the close of World War I, and the CFR remains de facto a branch of British foreign secret intelligence to the present day. That is not opinion or interpretation, that is simple, massively documented fact.

What is the purpose behind such criminal forms of moral insanity? Although the London crowd and its CFR allies are adequately power-hungry, their outlook and motives cannot be explained in terms of the simple motives of fear and greed one might expect to locate among ordinary people. Behind the policies of CFR, and hence of Volcker, there stands a quality, profoundly evil, which exceeds all comprehension by the standard of what we view as wickedness among the ranks of ordinary acquaintances. Genocide against up to three-quarters of the human race over a 20-year period is monstrous enough, if unintentional. As a conscious

policy-objective, it represents a quality of evil beyond the comprehension of the ordinary citizen.

Such evil men and women as those witting guides of the RIIA and CFR far exceed the late Adolf Hitler and Heinrich Himmler in the magnitude of their monstrosity.

Such genocide is the inevitable consequence of the "conditionalities" policies of the International Monetary Fund, and the "appropriate technologies" double-talk of Robert S. McNamara's World Bank. Such genocide is also the conscious intent of those monsters in Peking who planned and directed the mass murder of more than a third of the population of Kampuchea (Cambodia) during a three-year period. The less severe correlative of Third World genocide is the sort of literally fascist (Schachtian) "fiscal austerity" Volcker and his accomplices are currently working to impose upon the United States. This same genocide in the Third World and fascist austerity in the United States is the inevitable consequence of tolerating the "small is beautiful" cultism of Zen Buddhist governor Edmund "Jerry" Brown, Jr., or of tolerating the antinuclear and related antics of Jane Fonda and her friends. Without nuclear energy for the Third World, hundreds of millions there will die of economic genocide. Without nuclear energy in the United States, our nation will die as a nation.

The best-known example of the kind of evil underlying Volcker's policy is the case of the late Bertrand Russell. Russell, the intellectual father of modern Luddism, and international terrorism, typifies, like Aldous Huxley, in the extreme, that extreme "one-world" pseudo-philosophy which proposes not only to return humanity to pre-Raphaelite medieval barbarism—before the rise of the nation-state—but to destroy language's cognitive content and to saturate populations with drugs and evil cults as means for keeping barbarized populations under least-cost forms of social control.

Antinuclear fanatics, promotion of marijuana, LSD, and so forth are the hallmarks of the modern kooks bent on turning the clock back to barbarism—at least, for most of the survivors of neo-Malthusian genocide.

Relative to bankers of the likes of Volcker, Russell appears a fanatical extremist. Nonetheless, the comparison is valid insofar as the extreme case of the evil Russell aids us in comprehending the direction of Volcker's own ideology. Russell proposes to ruin humanity in his own evil way: Volcker and his ilk act to push the world a significant step in the direction Russell proposed.

Effects on the election

Perhaps most of the voters, even most of the approximately 75 percent who are essentially moral, will be reluctant to think through the issues to those underlying points we have just summarized above. American voters during this century have adopted pragmatic habits of thought for matters of daily life. They will vote against Volcker and what Volcker represents, not because they have comprehended the underlying evil Volcker's policies represent, but because most ordinary citizens reject the hideous, depression measures Volcker has set into motion.

In fact, Volcker's policies are fascist, in the sense the late Jacques Rueff, as well as LaRouche, have denounced Schacht's fascist economics. The average voter will perhaps not worry whether or not the label "fascism" is attached—they will vote against anyone aligned with Volcker because they rightly hate Volcker's policies, and despise any banker or politician wicked enough to seek to impose such "controlled disintegration" policies upon our nation and its people.

One hopes that that angered majority of our citizens will not make President Carter the scapegoat of their just wrath.

In former days of European censorship, the periodicals of the region created the institution known as the "responsible editor." This functionary did nothing. He did not write, he did not investigate. He simply sat, waiting to go to prison whenever the censor might be considerably annoyed at some part of the periodical's contents. Mr. Carter might be aptly described, in that context of reference, as our nation's "responsible president."

If we consult the policy documents produced by both the CFR and David Rockefeller's Trilateral Commission during the 1975-76 period, it is properly made clear to us that Mr. Carter did not initiate a single important policy conducted through his administration. Those policies were devised during 1975-76 chiefly under the direction of such persons as Cyrus Vance, Zbigniew Brzezinski, W. Michael Blumenthal, Samuel P. Huntington, and other luminaries of the CFR and its Trilateral subcommittee. Mr. Carter has been, very much indeed, merely the "responsible president."

This focuses our attention on the fact that Carter, Kennedy, Mondale, Connally, Bush, Reagan, Baker and so forth are all merely protégés of the same producers, directors, and script-writers. Exchanging Mr. Carter for one of that sort of putative competitor is merely to

substitute one actor for another, one "responsible president" for another mere "responsible president." The plot and the plotters managing the presidency remain essentially unchanged.

Admittedly, the game has continued for decades since the death of FDR. Some presidents have managed to have some impact on policy, President Eisenhower's administration most notably, or have been at least occasional conduits for constituencies whose outlook is more or less counter to that of the CFR crowd, as Secretary of State Rogers and Attorney General Mitchell functioned in part under Nixon.

Many say, "This cannot be changed." Stochastic reasoning! Under conditions of grave crisis, the majority of the people in this nation can rise up as they have at times during our past. This was the key to the success of the American Revolution, to the establishment of our Constitutional Federal Republic, to the elections of Monroe, John Quincy Adams, and Abraham Lincoln. Now, we face the worst crisis in a century, far more deadly than that of the 1930s. This fact will become apparent, at an accelerating rate, to more and more of our citizens during the coming weeks and months.

"Unfortunately the policy of 'controlled disintegration' is not Volcker's alone."

In such a mood, we shall see in November 1980 the kind of electoral manifestation we have not experienced since November 1932. The people will be moved to vote the New York Council on Foreign Relations out of continued control over our government.

The CFR inner circle knows this. That is why they, under the coordination of Britain's Sir Keith Joseph, the Svengali of Prime Minister Margaret Thatcher, ordered the Heritage Foundation, the Anti-Defamation League, and the *New York Times*, to coordinate a massive, international harassment, libel and slander campaign against Democratic presidential candidate Lyndon H. LaRouche, Jr.

They dare not confront LaRouche on the issues. They are obliged to resort to "dirty tricks," and will probably try, once again, to orchestrate his assassination. They know that the majority of the American voters are becoming ready to choose LaRouche.



Where they stand on Volcker's

As the impact of Federal Reserve Chairman Paul Volcker's "controlled disintegration" tight money policy began to be felt over the past two weeks, various political figures, economists, and news media have had the opportunity to demonstrate where they stand. The following is the line-up, for and against a policy that will cripple America's industrial economy.

Presidential candidates

Jimmy Carter

To New York Times, Oct. 10: "The number one threat to our national economy is inflation. Whatever it takes to control inflation, that's what I will do. **To National Public Radio, Oct. 13:** "There is no way we can avoid high interest rates." **Through Jody Powell, Oct. 22:** "I see no prospect that the President will change his policy in support of the Fed, or their policy, or change the Fed Chairman."

Ted Kennedy:

To Business Week, Oct. 22: "One of the leading problems in the country at present is inflation. The steps the Fed has taken are not steps that I would differ with, although we have to monitor this action extremely closely over the next several weeks to see whether it will put us over the brink and into a more serious recession. The administration ought to be considering what steps it might take were that to be the case, thinking about stimulation—although it is not called for now." **Through aide Carey Parker:** "While we feel that Mr. Volcker and the Fed are currently operating off the charts, and their policies could do serious damage to the U.S. economy, we have great confidence in Mr. Volcker and the Fed and are sure they will take necessary action to correct any defects in their policy before it is too late."

Lyndon H. LaRouche, Jr.:

Statement released, Oct. 20: "The Federal Reserve tight-money policies mean economic suicide for the United

States. ... I herewith submit a demand for the prompt impeachment of recently appointed Federal Reserve chairman Paul Volcker."

John Connally:

Through aide Julian Read: "The Governor (i.e., Connally) is 100 percent behind Volcker. Three days ago in Houston, Connally gave a speech defending Mr. Volcker's policies. And over the weekend, he issued a statement saying that 'Volcker's policy is hard to swallow, but necessary.' Connally sees inflation as the number one problem. High interest rates is the only way to stop it. Unemployment is necessary. ... We must knock the waste out of the economy."

Ronald Reagan

Refused comment until candidacy is announced.

Howard Baker:

Through aide Tom Griscom: "Baker does support the moves by the Federal Reserve with one reservation: that it's a shame we let the economy degenerate to the point where we have to drive up interest rates."

George Bush:

"The action by Federal Reserve Chairman Volcker is a necessary step to curb the staggering growth in the rate of inflation."

Robert Dole:

Through aide Randolph Miller: "The Senator doesn't like high interest rates, but doesn't know what else can be done. So he is willing to stand back and see what happens. He does not intend to oppose the policy at this time."

Other government figures

Sen. William Proxmire:

Press release, Oct. 10: "The strong policy steps taken by the Federal Reserve this past weekend are absolutely

credit policy

necessary if the board is going to bring the growth of money under control and reduce inflation. The increase in the discount rate to 12 percent, an all time high, and the application of marginal reserve requirements on managed liabilities are certainly appropriate steps to be taken at this time."

Rep. Henry Reuss:

To *New York Times*, Oct. 10: "I applaud the Fed and the treasury for their actions on Saturday."

Rep. William S. Moorhead:

To *New York Times*, Oct. 10: "We seem to know better how to cure a recession than how to cure inflation. I personally feel the gamble is worth taking."

Sen. George McGovern:

To *New York Times*, Oct. 10: "At some point, higher interest rates no longer serve any purpose except to guarantee a deeper recession. But I don't think there's much we can do about it if the administration seems bent on this course."

Rep. John Conyers:

Through press secretary *Bill Kirk*, Oct. 23: "The congressman is against the policy because it puts the crunch on small business and it puts the crunch on everybody."

Rep. Parren Mitchell:

Letter to *Wall Street Journal*, Oct. 11: "For years it has been difficult to support the Federal Reserve because its modus operandi assured that its impact on the economy would be procyclical. ... Now I can be supportive, and am confident that many of my House colleagues also will be."

Economists:

Charles Schultz, chairman, *President's Council of Economic Advisors*: "The basic thrust of what the Fed did was needed."

Where are the real Democrats

In 1976, as the campaign for the presidency was in full swing, Jimmy Carter pledged to implement the planks in the Democratic Party Platform. The following is a selection on the subject of credit rates and housing, taken from that official party document.

"The housing industry and construction workers, among the hardest hit by the current recession, could have benefitted by a genuine federal commitment to meeting basic human needs for shelter.

"It is the purpose of this party and the plan of this Party's Platform to reverse this callous practice of neglect. The economic policies proposed in this Platform will greatly enhance the chances for average Americans to own homes or to rent homes at reasonable rates.

"We must reverse the Nixon-Ford tight money policy, an important factor in our housing shortage.

"The biggest reason for escalating housing costs is mortgage interest. Out of every housing dollar, 37 cents is spent on interest. With mortgage rates pushed to the highest levels of the past century, the notion that the public is served by high interest is a myth. Every time the mortgage rate rises a single percent, three and a half million more Americans are locked out of the chance to own a home.

"That is why the Democratic Party's commitment to a more accountable Federal Reserve Board, to price stability, to a housing administration free of scandal, and to reasonable interest rates are essential to the effort to address our housing problems.

Beryl Sprinkel, Harris Bank (Chicago): "I'm delighted."

David Grove, advisor, Marine Midland Bank: "I applaud."

Alan Greenspan, advisor, Presidents Ford and Nixon: "The Fed had no alternative."

Robert Triffin, Yale University: "Controlling the money supply is the best way to fight a recession. Certainly, initially if we are to brake inflation, there will be some difficult periods to go through. The sooner, the faster we do it, the less gradual approach we adopt, the better chance we have to succeed...."

Arthur Okun, Brookings Institution: "They had to do something in the tightening direction. The economy showed a lot more strength than I expected it to."

Joseph Pechman, Brookings Institution: "Volcker is heading in the right direction."

Walter Heller, Advisor, President Kennedy: "I think the Fed got itself into a position where it had to do this. If they had done any less, the world markets would have responded terribly negatively."

Murray Weidenbaum, American Enterprise Institute: "I really don't have any criticism of Volcker's approach."

The press

The New York Times, Editorial, Oct. 9: "The hope at the Fed, at least among the board's more pragmatic members, must be that this new show of determination will dispel the atmosphere of crisis soon enough to avoid a need for more real restraint. If this message fails to impress the people who count, unions pressing for higher wages, speculators dumping dollars, consumers spending as if there were no tomorrow, then the Fed will have to make good its threats and drive us all toward deeper water."

James Reston, Op-Ed, The New York Times, Oct. 14: "It is reasonable, in the present economic plight of the nation, to control the supply of money and credit and to raise the cost of borrowing money to build a house beyond the means of most families."

The Washington Post, article, "Letting Harsh Medicine Work," Oct. 14: "If the president can 'hang tough' long enough for the Fed's harsh medicine to work—as Carter said he'd do Monday—then the move could help cool speculative fever and dampen inflation. But if Carter hints he may try to counter the Fed action, he could blow the whole effort apart. ... Experts agreed the dramatic action was necessary to help dampen excessive borrowing."

Joseph Kraft, The Washington Post, Oct. 9: "There was no good alternative to the dramatic tightening of credit announced by the Federal Reserve over the weekend."

The Cleveland Plain Dealer, editorial, "Inflation Is Winning," Sept. 29 (written before Mr. Volcker's policy announcement): "Instead of holding down or cutting back or demanding that banks maintain increased reserves, the Fed has gone along with the immense growing demand for credit. To fight inflation those in authority must get tougher."

Miscellaneous

Lane Kirkland, Secretary-Treasurer, AFL-CIO: "These actions are the wrong move at the wrong time and will not solve the problem."

Van del S. Gravelee, President, National Association of Homebuilders: "I never thought that I would see the day when Americans would welcome a recession, but that seems to be the prevailing view of the administration today. There must be a better way to deal with inflation than tight money and high interest rates."

Senator Kennedy's protection racket in the Federal Election Commission

The Federal Election Commission, the "nonpartisan" watchdog over the U.S. electoral process, has given Senator Edward Kennedy (D-Ma.) a 25 to 1 advantage over every other declared presidential candidate in the 1980 race, following release of a recent Advisory Opinion in which the FEC sanctioned the activities of the "Draft Kennedy" committees that are springing up across the nation.

Standing FEC policy is to limit contributions to a declared presidential candidate to \$1,000 per person. But Kennedy, so the commissioners reason, is not a "presidential candidate." Therefore, the FEC has set a \$5,000 ceiling on individual contributions to the "Draft Kennedy" committees. Moreover, the FEC rules allow the same individual to make five different \$5,000 contributions to the Kennedy committees—one to each of the five "independent" committees. The Carter-Mondale committee to Reelect the President has sent up a howl of protest over the decision.

Such untoward bias is not without its explanation. No less than three commissioners are aligned with the Senator from Massachusetts and it is Kennedy's congressional network which watches over what electoral legislation is passed. Consider the following personalities.

Tom Harris is an FEC commissioner who was the personal choice of Kennedy's Common Cause and the Senate Rules Committee to draft the 1971 Federal Elections Campaign Act that formed the FEC. Earlier he served under Paul Porter in the Office of Price Administration. Porter, a founding partner of the law firm of Arnold and Porter, was one of John F. Kennedy's closest friends. Harris, general counsel to the AFL-CIO from 1948 to 1960, was also a personal associate of Newton Minow's dating back to Harris's stint as associate general counsel to the Federal Communications Commission, headed by Minow from 1961 to 1963. Harris and Minow share the view that "equal time" should be eliminated to prevent so-called frivolous candidates and issues from being aired.

Robert O. Tiernan is currently the chairman of the FEC. He was the personal choice for the commission of House Speaker Tip O'Neill, a close Kennedy associate.

Frank Thompson is chairman of the House Administration Committee which is the committee that passes legislation regarding the FEC. Thompson is the principal sponsor of the Common Cause sponsored Obey-Railsbach bill and the Public Financing Act of 1979 and he was chairman of the get-out-the-vote drive for Kennedy in 1960. Common Cause has given him an A rating.

You scratch my back ...

Two prominent Capitol Hill figures recently gave this reporter a glimpse of how the FEC operates as a "protection racket" for the Kennedy machine. Kennedy supporters interested in forming "Draft Kennedy" committees are given free legal advice by FEC staffers who are otherwise reluctant to do the same for supporters of Republican contenders John Connally, Ronald Reagan and others. As one Reagan campaign staffer commented: "Everyone knows its Harris ... He's always on the FEC premises ... never leaves. He's the power there, him and his legal assistant William Oldaker.

Senator Kennedy is not shy about returning the favor either. In his keynote address to the May 1979 national conference of Common Cause, the institutional force behind the FEC's formation, Common Cause member Kennedy singled out founder John Gardner for praise: "We strongly need the kind of leadership provided by Common Cause. I was inspired by John Gardner and the idea of developing a citizens' organization to insist that government institutions be responsive to citizens."

Kennedy's "inspiration" has made him the leading spokesman for Common Cause legislation in the U.S. Senate. Two such bills, the Obey-Railsbach bill and the Public Financing Bill of 1979 would put severe financial limits on the ability of "special interests" and especially

industrial lobbies to make contributions to the candidate of their choice in *congressional*—not just presidential—campaigns.

Who's behind the FEC

The FEC was created by the Federal Election Campaign Act of 1971 as an institution to monitor campaign contributions under the joint and presumably nonpartisan control of Congress and the President. In 1976, it was reorganized by Congress after Edward Kennedy personally intervened so that its members are now appointed by the President alone. In the same year, public financing of presidential campaigns was passed into law as part of this electoral package. Jimmy Carter is the FEC's first finished product.

Since the Carter election, the FEC has increasingly become an agency for harassing electoral campaigns considered "too frivolous" through selective enforcement of a nightmarish web of arbitrary and contradictory regulations surrounding every political act. On behalf of ridding politics of "special interest" pressure, the FEC is functioning to minimize—to zero—the role of the citizen in supporting and voting for the candidate of his choice.

So whose (bad) dream was it?

Two ideas put forward by John Gardner in his book *Common Cause* provide the answer. Gardner advocated financial disclosure as a means of discovering the identity of contributors and vendors, ostensibly to eliminate "special interests" from the American political process and the creation of a federal agency to oversee this; and public financing of presidential and congressional campaigns to ensure that neither Democrats nor Republicans can afford to disassemble this agency.

Gardner began as early as 1968 to lobby for just such a federal agency. Drawing on funds from the Ford Foundation and the Carnegie Corporation, and apparently with advice from John J. McCloy, director emeritus of the New York Council on Foreign Relations, Gardner began to piece together the network that would launch the FEC. Kennedy network involvement has been crucial at several points.

John F. Kennedy was the first President to call for an FEC. In 1961, Kennedy formed the Presidential Commission on Campaign Costs which, after one year's investigation, led to the call from Congress for the first federal election commission "to scrutinize" congressional financing. Leading members of the commission were tied to Gardner and would later, in 1968, work with him in founding Common Cause. Three of the most important commissioners were Paul Porter, mentioned above in connection with FEC Commissioner Harris, Herbert Alexander, and Newton Minow.

Alexander was appointed to the commission by President Kennedy on the basis of recommendations from John Gardner and John J. McCloy. Alexander's specialty was and is computer profiles of political

campaign financing for congressional, mayoral and U.S. presidential candidates. The data he accumulated while serving as director of his Citizens' Research Foundation became the basis for later work by Gardner's Common Cause.

Newton Minow was President Kennedy's hand-picked choice to head the Federal Communications Commission (FCC) from 1961 to 1963 and provided an important interface with the presidential commission. Minow was very influential in shaping the 1960s "Aspen decision" whereby the court allowed the television networks to determine what campaign issues were significant and thereby which candidates would be covered. The Aspen decision, named for the Aspen Institute for Humanistic Studies, provided the opening crack in the equal time regulations of the 1934 Federal Communications Act that guarantees equal time coverage to all candidates and issues.

Now in private practice with the Chicago law firm of Sidley and Austin, Minow is still the major outside consultant to the FEC, the FCC and Common Cause as they prepare a joint campaign to eliminate equal time provisions in presidential campaign debates. (The FEC and the FCC share jurisdictional powers in these televised debates.)

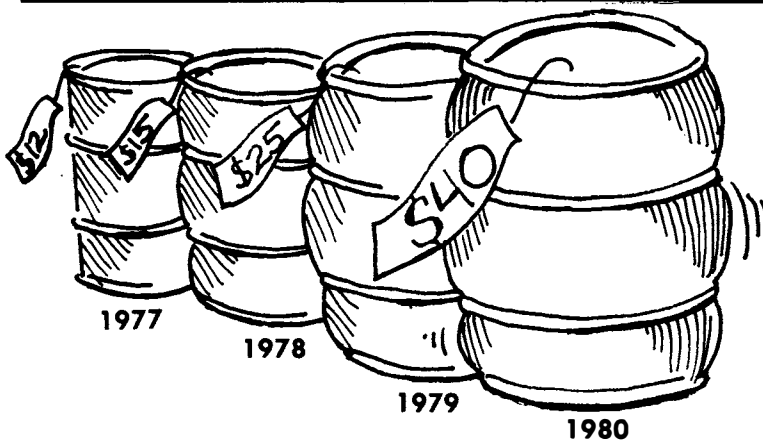
In his book *Equal Time*, Minow proudly describes his close relationship to President Kennedy and the Congress in these electoral law areas: "... I went into the office on easy personal terms with the President himself and many other members of the administration, the Senate and House of Representatives ... this advantage was only accorded to a few other past FCC Commissioners ... including Paul Porter."

In 1972 the Federal Election Campaign Act was passed, based on the work of Kennedy's presidential commission, the 1968 founding of Gardner's Common Cause, and the group's mobilization for reform. With the opening of Congress in 1974, the campaign to give the FEC some clout by instituting public funding of congressional and presidential elections went into high gear.

Common Cause beat the drum against vested interests that were allegedly buying up the Congress. Those opposing a beefed-up FEC, like Rep. Wayne Hays, were removed from office—by scandal if necessary. In the same year, the Supreme Court declared the FEC unconstitutional but then allowed the agency to be reconstituted as an independent executive agency to which Congress could not make appointments. Edward Kennedy introduced the legislation to reconstitute the FEC and those commissioners, including Tom Harris, who had served an initial term already were reappointed by President Ford.

Now today, the FEC is little more than Kennedy's protection racket.

—Karen Manne



Are oil prices out of control?

How the multinationals made their record profits in driving the independents out

The multinational oil companies this week posted profits for the third Quarter that are so high that oil analysts in Wall Street investment houses are terming them "shocking and embarrassing." Exxon reported a 118 percent profit increase for the third quarter, Continental posted a jump of 134 percent, and Standard of Ohio 190 percent!

Such record profits are directly related to the dramatic climb in oil prices over the course of this year, particularly during the early summer oil shortage hoax. The price hike is due to the increasing rate of speculative oil trading on international spot markets where the largest integrated oil companies have made a killing. The oil producing countries, Europe and Japan have all condemned the oil majors for their increased profiteering and market manipulation.

Over the last three weeks the price of spot purchases of crude have reached as high as \$40 a barrel with no relief in sight. The *Journal of Commerce* reported on Oct. 15 that if prices exceed this level, OPEC is sure to enact a new price rise at its mid-December price-setting parley.

In the United States last week, Saudi Oil Minister Yamani stated that the markets were going out of control as a result of the spot market momentum. The Indonesian Oil Minister Adimir Adin is quoted in the *Journal of Commerce* saying that OPEC will not raise its prices but will allow "market forces"—the spot market—to set pricing trends.

A Catch-22

The administration and the media are responding to the announcements from the major oil companies with a more vigorous campaign for a windfall profits tax on oil company profits. Such a demand is misplaced since the profits of the multinationals are primarily from foreign

business; the windfall profits tax only hits profits made from domestic oil production. Curiously, not a word from Washington or the press has appeared on foreign tax credits which enables the multinationals to engage in international oil production and trade virtually tax free.

As experts in the oil industry are well aware, the windfall profits tax will not hurt the multinationals, but will destroy the smaller independent producers, historically the ones who explore for 80 to 90 percent of the U.S. produced crude.

Behind the spot market bubble

According to a former employee of Exxon, as early as 1974, the Seven Sisters cartel of multinationals was distributing written secret documents elaborating policies which this year have been enacted to break up the "integrated" nature of their elaborate marketing system. This entails primarily the process of severing third party contracts of oil sales between companies to "balance the market."

Such a move throws the world markets into instability, the result of which is that the multinationals bid against one another for oil purchases in greater and greater volumes on the spot market. The Council on Foreign Relations, a prestigious policy making body in New York City which is known to represent the corporate boardrooms of the Seven Sisters, produced a series of studies called the 1980s Project on world politics and economics. In their volume on oil politics, written in 1976, is a description in great detail of the current chaotic market situation. The study terms it "the second oil regime" whereby the "integrated structure" of the oil industry is severed and the cost of energy soars.

The key to realizing this plan was the shutdown of Iranian exports earlier this year. As a result, British Petroleum initiated the move to break third party

agreements, followed by Exxon, Gulf, Mobil, and Royal Dutch Shell, which reverberated throughout the oil industry. The net result was to force companies with refineries and petrochemical installations onto the spot market for competitive bidding against one another for precious cargos of crude at increasingly higher and higher prices. The spot market in normal times only accounts for about 5 percent of total world trade and is used by companies to make across the counter transactions of crude not covered by long-term contract.

According to a New York analyst, well over a million barrels a day of crude have been added to the total volume traded on spot terms because third party contracts were severed. The *Washington Star* reported on Oct. 16 that as high as 24 percent of the total volume of crude sold on world markets now goes on spot.

Throughout the course of this year, average spot transactions for crude oil have never dropped below \$30 a barrel compared with OPEC's average \$20.48 price.

A new reality

In a series of articles printed in the *Petroleum Economist*

earlier this year, Joe Roeber reported on the growing importance of the spot markets in world trade, particularly the European spot trading center associated with the Amsterdam-Rotterdam-Antwerp importing and refining center. Roeber noted that a new reality is presently impinging upon oil markets in which the major oil companies are taking a more dominant position in trade. As a result, many smaller independent companies which have traditionally gained the necessary margins of crude to feed their refineries off spot trade are finding themselves threatened by powerful, newly established trading subsidiaries of the multinationals.

An aide to a top international oil consultant last week commented that the expanding rate of spot trade and the commensurate reduction of third party sales represents a "revolution" in world oil. The *Petroleum Intelligence Weekly* reported on Oct. 8 that as early as August of this year Royal Dutch Shell initiated a move to impose hefty surcharges on those third party contracts which have survived. The weekly notes that certain unnamed multinationals have since then attached premiums on third party sales of up to \$8 a barrel. *Le Monde* on Oct. 9 cites Exxon, Gulf, and Shell as having

New reality in world oil

Multinationals consolidate spot market control

Following are excerpts of an article that was part of a three-part series in the Petroleum Economist. Authored by Joe Roeber and titled "Dynamics of the Rotterdam Market," this installment appeared in the February issue. The series discussed international spot trade centered in the controversial Rotterdam spot market.

...The policies of the refiners toward the market have adapted to the new realities. Having allowed independents to perform a function that logically belonged within their own systems, they have reclaimed large parts of it, by tightening up their own trading activities and even setting up trading subsidiaries (Shell with Petra, BP with Anro, and Exxon with Impco). They learned to adopt more conscious and controlled policies towards the spot market, selling as little and buying as much as economics and opportunities dictated in order to avoid swamping it with surpluses. With unused capacity to play with, they could tune refinery runs more closely to demand and store their own surpluses.

The result for traders has been to shake out the

weaker ones, consolidating and concentrating the relatively few strong traders—particularly those with access to funds from a strong parent company. Leading traders without such strong integrated corporate financial backing are a rarity, Bulk Oil, and Vitol being the most obvious examples. Traders with U.S. links are important, with Coastal States leading a field that has such names as Petrosun (Sun Oil), Derby (Englehard), Northeast Allied (Hess), Anschutz and Tampinex (Ingram). This was the trend last year, and it probably remains the underlying trend.

Independents to be bought up

H. Andrew Thornburg, senior vice-president of Security National Bank, this month delivered his assessment of financial requirements for energy companies, given higher exploration and producing costs and a recessionary economic environment. Mr. Thornburg, speaking before the Pacific Energy Association at San Diego, paints a grim picture for smaller oil producers in the U.S. Below are excerpts of reportage from the Oct. 15 issue of the Oil and Gas Journal's coverage of the speech.

willingly accepted offers of spot sales from Iran at over \$36 a barrel, a sop to the Iranian price hawks who have admitted selling 15 percent of their exports at spot prices up to \$40 a barrel.

The spot market and decontrol

A New York-based international oil consultant has stated that the effect of removing government controls on the price of U.S. produced oil will amount to transforming the U.S. oil market into one giant spot market. To date, 20 percent of the 8 to 9 million barrels a day of U.S. produced oil is fetching an average of \$30 a barrel with the short-term trend in the upward direction.

Over the next 20 months, barring a reversal by the next administration of President Carter's decision to let price control measures lapse, all U.S. oil prices will rise in accordance with the prices resulting from oil company competitive bidding. A similar trend, says a former top government energy official, will occur after 1980 with respect to natural gas.

The recommendations taken by the influential Senate Finance Committee over the past weeks with respect

to Carter's energy program and, in particular, the windfall profits tax on oil company profits reveals the complicity of such figures as Senator Russell Long (D-La.) with the multinationals. The Finance Committee under Long's leadership has formulated a series of exemptions from the tax (which is slated to capture windfall profits following price decontrol) which only benefits Big Oil.

Moreover, the actions of the Committee, known to be weighted with pro-oil industry senators, adds incentive to the trend toward higher prices. First, all new oil found since 1973 is exempt. Expensive-to-extract oil which the multinationals are presently exploring for will be given the financial backing of the government. Across the board, the multinationals claim that it will require at least a \$30 a barrel market price to make this new category of crude "economical."

Second, the Committee has approved numerous measures to foster conservation which, in effect justify the trend toward higher oil costs.

Third, the committee has only exempted the first 1,000 barrels of stripper crude (oil from wells which produce less than 10 barrels a day) from the windfall

Although inflation is "out of control," interest rates are high, and productivity has declined, Thornburg said that "even with these concerns it is easy to affirm that adequate financing will be available for the industry as a whole, but it won't necessarily, be equally available to all segments of the industry.

The most efficient use of funds by the petroleum industry, he said, will be development of conventional sources of oil and gas, even though the discovery rate has been declining.

Decontrol of oil and gas prices and reasonable tax legislation are required, however, for such development to occur.

Thornburg predicted hard times ahead for independent producers, although they should find adequate financing at least during the early 1980s by using their own cash flow or by borrowing against reserves.

"Ultimately, as the cost of drilling increases and discovery rates fall, more and more of the independent companies will leave the industry," he said.

"Today, independents with proved reserves, especially those who lack the capital to develop existing properties, are prime targets for acquisition."

Independent marketers and refiners also may have problems.

Thornburg said, "they must face the fact that higher prices are going to discourage the use of petroleum products. And this calls into question the advisability of investing in additional refining capacity."

New York banker sees tight credit squeeze on independents

An investment analyst with Manufacturers Hanover sees the impact of the recent increase in interest rates as forcing the independent oil producers out of business. We quote:

At a 15 percent prime lending rate and with the soaring cost of materials not to mention spiraling taxes, the smaller oil producers just can't do it. Many of them, even if they are exempted from windfall profits, won't be able to make it—not in this environment. They were already being forced to sell out long before the advent of the 15 percent rate.

Now, the government is looking to enhance the industry's search for domestic oil, but finding and pumping remaining reserves here is so damned expensive no little guy could hope to get into this ball game. The current trend in the oil leans toward the bigger companies with the profit margins to lease land and invest in expensive exploration. I wouldn't be surprised to see buy ups of smaller companies by the majors as time goes by, particularly if current economic conditions persist.

profits tax, which means all middle-sized independents running larger, more productive wells will be taxed out of existence, leaving only the "little guys and big oil."

Multinational corporate consolidation

A grim assessment for the independents was given this month by a California investment banker to the Pacific Energy Association. He predicted that severe recessionary economic conditions, fostered by Federal Reserve Chairman Volcker's recent moves, coupled with massive increases in production costs would force many of the smaller U.S. independent oil companies out of business.

Under these circumstances, he anticipated that many valuable independent oil producers would be ripe for

"acquisitions." The recent buy up of the tiny California company Belridge Oil by Shell for a whopping \$3.6 billion is just the first. Belridge reportedly controls reserves of California heavy crude to the tune of 360 million barrels. The purchase occurred just weeks after the administration decontrolled the price of heavy crude.

The only difference in the long term between future acquisitions of independents by the multis and the Belridge purchase is that as credit tightens further and inflation worsens, the purchase price of such acquisitions will go down markedly as the multis' profits and oil prices climb higher.

—Judith Weyer

Spot oil prices reach \$50 a barrel

The following are excerpts of an account of growing chaos on the international spot markets which appeared in the Wall Street Journal, October 26.

The oil market is near chaos following the collapse of price stabilizing efforts by the Organization of Petroleum Exporting Countries.

"It is a complete shambles," a crude oil trader with a major oil company said...

So far this month, five of OPEC's 13 member states have increased official crude oil quotes in what appears to be a new round of price leapfrogging in the producers group. But until this week, only Libya had broken the \$23.50-a-barrel "ceiling" established by OPEC last June in an effort to stabilize runaway oil prices for the second half...

Oil buyers had been hoping, however, that others in OPEC would continue to honor the ceiling. That hope vanished Wednesday when Algeria announced that the price for its key grade would be increased to

\$26.27 a barrel to match the top price set by Libya...

The African producers often move in tandem in pricing petroleum, and representatives of the three met recently in London to discuss fourth quarter prices. Sources said that Nigeria had agreed to hold prices where they were if Algeria would do the same...

Nigeria notified contract buyers of its crude oil early this month that prices for the fourth quarter would be the same as in the third quarter...

How much longer this restraint will hold in view of the Algeria action isn't known. Meanwhile Nigerian and other African crudes are being sold on the spot market at prices of about \$40 a barrel. So are the Iranian crudes...

Published reports in Iran yesterday said that a cargo of Iranian crude had been sold at \$45 a barrel. Some U.S. crude-oil trading sources said they understood the Iranians were asking \$46 to \$48 a barrel currently, and one source said he has heard the price is as high as \$50 a barrel...

Trading sources said they expect a continued spiraling of prices on other crudes, too.

The view from the Federal Republic

Our Bonn correspondent takes a look at the military strategy debate in Europe

Meetings of the Atlantic Alliance and NATO, running from Nov. 12 through to the full NATO Council meeting ending Dec. 15, are already promising to be the forum that will demonstrate the growing malaise in the NATO alliance, the manifest contrariety of basic political, economic and military interests between the U.S.A. and its European allies. Public statements by a number of officials of the West German government in Bonn, from Chancellor Helmut Schmidt through his Defense Minister Apel and Foreign Minister Genscher leave no doubts as to the West German stance—and the European stance—at the upcoming meetings on the immediate issues at hand.

In May 1978, Chancellor Schmidt obtained from Soviet General Secretary Brezhnev the *written* assurance that the Soviet Union was willing to negotiate a reduction of the “continental strategic weapons” of the Soviet Union. This readiness was reconfirmed in July 1979 when the Chancellor stopped over in Moscow prior to and following the Tokyo summit meeting of Western heads of state. Leonid Brezhnev firmly offered negotiations on these weapons—technically called intermediate-range ballistic missiles—in his recent speech in East Berlin. Bonn is committed to “taking Brezhnev at his word” and will drive for a NATO resolution which conceded to modernization of equivalent NATO weapons *if and only if* the West simultaneously makes an offer to negotiate with the Soviet Union. “And if the negotiations are successful,” Chancellor Schmidt stated in a West German radio interview on Oct. 14, “then we will not need to implement everything that we decide on in the first part, perhaps very little of it ... in the ideal case, none of it. ... This policy will be implemented by the alliance, and Brezhnev expects that,” the Chancellor stated.

The position of the U.S.A., as publicly stated by National Security Council chief Brzezinski, is the precise opposite: There are to be no negotiations with the Soviets until the West has already installed a number of extended-range Pershing II and Cruise missiles to

“counter” the Soviet capabilities. This means a freeze on all negotiations with the Soviet Union for at least three to four years since the West will not have the new weapons to deploy until 1983 at the earliest. Meanwhile, the SALT II treaty still sways uncertainly in the Senate breezes.

Simmering just under the surface of this NATO debate is an as yet unspoken concern of the Federal Republic and all of Europe: The United States is becoming irrevocably committed to channeling Europe toward a “limited European theatre nuclear war” with the Soviet Union. It was understood that Henry Kissinger spoke not merely for himself when he argued, during his performance at the Brussels meeting of Georgetown University’s Center for Strategic and International Affairs, that a war between the West and the Warsaw Pact would occur exclusively in Europe and not with the U.S.A. since the U.S.A. could hardly be expected to invite a shower of Soviet ICBMs on North America by firing American ICBMs. Instead, nuclear weapons in Europe capable of striking into Soviet territory itself need to be installed to “counter” Soviet capabilities without reliance on American ICBMs and American or British submarine-based Polaris missiles.

It is an established fact that the Soviet Union has not increased the numbers of their SS-4 and SS-5 missiles, but are modernizing by means of SS-20 missiles for action in the Middle East and especially against China. The basic commitment expressed by Kissinger and Brzezinski and the basic, consolidated tendencies of American foreign policy as a whole to implant weapons in continental Europe to militarily back up the “Camp David” Mideast policy and the “China card” Asia policy is a commitment to a geostrategic confrontation with the Soviet Union.

Policy disintegration

It is on this issue that a fundamental and unbridgeable gap exists between the interests of continental Europe and Anglo-American geopolitical interests. Yet this issue

remains in the background, only indirectly addressed despite the clarity of public statements by government officials in Bonn on the military security interests of Europe and the legitimate military security interests of the United States.

In his recent interview with the London *Economist*, Chancellor Schmidt was very direct on economic issues. But on issues of military strategy, he confined himself to the remark that "military balance of forces" and strategy are not limited to weapons systems but include a whole range of economic issues as well.

Privately, high-ranking officials of German military institutions are concerned that the U.S.A. is destroying its own basic industrial capacities, its domestic and export potentials. The U.S.A. is "drifting away," it is said.

The only way to bridge the chasm in military security interests is for the United States to reverse its economic policies. "The U.S.A. makes even the Federal Republic, this most stable and strongest of all world economies, look like a midget in terms of its economic potential. But this is only potential. Tricks," reflected in the Camp David and China card military policies, "will not realize that potential."

It is up to the United States to reverse its own economic and military policy disintegration. In the meantime, neither Bonn nor Europe generally will tolerate the military destabilization of Europe. "We cannot, out of our own long-term interests in detente in Europe," Chancellor Schmidt said during his radio interview, "allow the Western Alliance to degenerate step wise into a purely American-German affair." Germany will not be isolated and forced to swallow the "limited nuclear war" fantasies and will instead ensure that negotiations with the Soviets occur, as Brezhnev offered again in his "world important speech" in East Berlin. "The chief impression I have," said Schmidt, "is that Brezhnev, with great persistence and energy, is acting to assure that his life's work, his life's work of the Western policy of the Soviet Union, of the Soviet policy of detente, is not put into question.

"Persons play a great role. If persons were unimportant, it would not matter to us who became U.S. President. If persons were unimportant for foreign policy, it would not matter if Franz Josef Strauss became Chancellor. I do not think that it doesn't matter. ... The issue here is Brezhnev's life work and I think that the line which General Secretary Brezhnev is pursuing is very clear and easily recognizable."

For Brezhnev and the Warsaw Pact, the issue is, said

Schmidt, that "if the intention of the Western alliance to build up its arms were actually carried through, then the Soviet Union would have to view this as a change, a fundamental change in the strategic situation, and then, in such a case, the Soviet Union would have to take the additional steps necessary for its own security. ... I am therefore quite confident that Brezhnev wants to use the time of three to four years to negotiate. Our declaration of intent can, in the intervening period of three to four years, be changed, be reduced, if progress in negotiations permits this or even makes it necessary."

Will to detente

Such a statement represents anything *but* "finlandization" or "neutralization" of Germany. Schmidt is demanding that the U.S.A. measure up to and act on its own real interests. "SALT I, SALT II, the Four-Power Agreement on Berlin, for example, none of this would ever have been possible without the American will to detente. And this is a will that is continuous, one we can recognize in the presidency of President Nixon, President Ford, and even that of President Carter," Schmidt added. "The American President is deeply convinced of the necessity of maintaining the military balance of forces in Europe. ... I know that he is just as powerfully convinced that, on the basis of this balance of forces, detente must be carried forward with the Soviet Union and her allies."

There is a consensus in the Federal Republic on this. The American "will to detente" is the issue and that means ratification of SALT II by the Senate. In Washington, West German Defense Minister Apel stated that the alliance is going to plunge into a profound crisis if SALT II is not ratified. "The facts are these," say military officials, and there is no disagreement whatsoever in the government.

Nor is there any disagreement that a NATO resolution to modernize American "theatre nuclear forces" will be a declaration of intent. The Bonn government has no other point of view than that expressed by the Social Democratic Party's military expert, Alfons Pawelczyk who just returned from arms control discussions in Moscow: "The NATO resolution is to state that the European nations of NATO agree to stationing intermediate-range ballistic missiles to be developed by the United States on its own responsibility under condition that they will not be deployed if arms-control negotiations lead to satisfactory results."

—G. Gregory,
Bonn correspondent

An 'independent Europe'—Kissinger style

An alliance of forces led by former U.S. Secretary of State Henry Kissinger has squared off against the government of West German Chancellor Helmut Schmidt. Confronted with Schmidt's uncompromising support for both West Germany's traditional friendship with the United States and detente with the Soviet Union and Eastern Europe, Kissinger's grouping is demanding a "decoupling" of Europe from the "weak" United States. They are dedicated to replacing Europe's sovereign republics with a feudalist "Europe of the Regions" in which limited nuclear warfare and other "limited confrontations" could take place without "fear" of superpower use of strategic thermonuclear weapons.

Kissinger's allies in this deadly conspiracy include Franz Josef Strauss, who is running against Schmidt in next year's elections for Chancellor as the candidate of the Christian Democratic Union and Christian Social Union parties; Otto von Hapsburg of the Pan-European Union; certain Jesuit networks within the European Catholic church, and their American cousins at the Georgetown University Center for Strategic and International Studies (CSIS). Republican presidential hope-

ful John Connally is functioning in connection with the CSIS operation.

At a conference in Brussels last month on the future of NATO sponsored by the CSIS, Kissinger provoked an international scandal by saying that the U.S. "nuclear umbrella" was no longer reliable for Western Europe. Kissinger did and still argues that Europe must deploy some 600 American medium-range nuclear missiles on its territory so that war could be waged on the European continent even if the U.S. lost its nerve. Rejected out of hand by the Soviet Union, this "limited nuclear war" doctrine is widely viewed in Europe as an insanity which would turn the continent into a radioactive rubble field.

Kissinger has spent most of his time since his Brussels speech giving interviews and speeches in West Germany. In one interview to the *Frankfurter Allgemeine Zeitung* on Oct. 13 he urged Europe to take a more active Mideast policy, so that ways can be found to ensure Western oil supplies without resort to the Carter administration's 100,000-man intervention strike force which Kissinger called "inadequate." Kissinger has demanded an oil price rise as essential to convincing

Cool reception for Hua

Chinese Premier Hua Guofeng failed in his tour of Europe to promote Peking's "world war is inevitable" policy. His visit to France began with a "welcoming" speech by President Giscard d'Estaing, who strongly praised Euro-Soviet detente. Two days later, French Foreign Minister Jean François-Poncet reaffirmed French and European commitment to "the irreversible process" of detente.

Openly soliciting aid for a Chinese military build-up, Hua was instead offered a credit line for non-military technology and the opportunity to end his involvement with the remnants of Pol Pot's fallen regime in Kampuchea. The French press reported that the two heads of state "did not agree on anything." A last minute diplomatic meeting called by Giscard apparently changed little.

Before the Chinese Premier had arrived in West Germany, Chancellor Helmut Schmidt warned

against a NATO "China Card" policy while appearing on Italian television with former Prime Minister Giulio Andreotti. Said Schmidt: "We believe China is important, but so is the U.S.S.R. There are stupid persons in the West who believe in playing the China card against the Soviets ... we don't want to be manipulated by the Chinese against the Soviets..."

On Oct. 20, West German government press spokesman Klaus Boelling said that Bonn would not allow the country to become the site of a Sino-Soviet controversy. China, said Boelling, must know very well "West Germany's position toward detente." Hua's official Oct. 22 welcome in West Germany was accordingly cool. Chancellor Schmidt did not greet the Chinese leader at the airport. Only brief private meetings between the two were held. Social Democratic Party leader Herbert Wehner made West Germany's perspective on Hua's visit clear: "There will definitely be no shift of our detente policy with the East European countries. We don't want to move into the trenches against the Soviet Union."

the American public of the "seriousness" of the energy crisis, and has paid lip service to nuclear energy as the only real alternative for the future.

These statements parallel John Connally's widely publicized call for a new approach to the Mideast crisis which would include some kind of Palestinian state within the context of a militarized Mideast region—a program drafted with Kissinger's assistance. Connally too has touted a pronuclear line.

This policy has been echoed from the Jesuit corner. Last week, CSIS professor G. Heumann gave a speech in Hannover, West Germany entitled "The Middle East After Camp David," denouncing the present agreements as unworkable and calling for the creation of some version of a Palestinian state. Heumann, a long-time associate of Kissinger, is slated to begin an organizing tour among American Zionist organizations when he returns to the United States.

Strauss the 'European'

In West Germany, Franz Josef Strauss has purged his campaign propaganda of some of its more overtly neo-Nazi overtones and is gaining avid support in his bid for the chancellorship from "liberal" press organs ranging from the London *Guardian* to the Hamburg weekly *Die Zeit*. Strauss' campaign focuses around the line

that Schmidt is weakening NATO by seeking detente with the Soviet Union and Eastern Europe. This, combined with the alleged inadequacy of the U.S. nuclear umbrella, means that Europe must look to its own defenses, and must acquire the new medium-range missiles which U.S. National Security Adviser Zbigniew Brzezinski is demanding, says Strauss. At a recent meeting of Strauss' CSU party arms policy panel, a party spokesman declared that NATO in its present form is dead, and must be replaced by a common European defense command structure based on joint Franco-German control of France's nuclear weapons.

The second tactic in Strauss' campaign is to argue that Schmidt's support for nuclear energy is a commendable policy, but that Schmidt cannot get his own Social Democratic Party (SPD) to support his nuclear policies. In fact, the SPD is riddled through with environmentalist "greenies," who are expected to mount a significant challenge to the Chancellor at the party congress in December.

Meanwhile Strauss is waging a level of diplomatic activity intended to give him the aura of a "shadow government." Chinese Premier Hua Guofeng stayed at Strauss' personal residence in Bavaria during his recent visit to West Germany and last week Strauss met with Henry Kissinger and the Israeli ambassador to Bonn.

—Susan Welsh

Secret conference in London maps Caribbean 'security' strategy

British, Canadian and U.S. officials met in London last week under a veil of secrecy to map a Caribbean "security" strategy to isolate Cuba and "prevent the outflanking of NATO in Latin America," according to information received by *Executive Intelligence Review*. Blacked out of the Western press, the talks are "continuing," according to a brief statement released by the State Department Oct. 19. Two earlier rounds were held in Washington last May and June. The State Department's admission came after two days' refusal to comment on the hush-hush talks.

Discussion at the London meeting—whose sponsor is yet unknown—centered on the following points, report sources close to the talks.

(1) Cuba has established significant influence in the Caribbean area as a result of its leadership role in the Non-aligned Movement.

(2) Increasing ties between OPEC nations and Third World non-oil-producing countries, following the Havana Non-aligned Conference, represent a threat to NATO.

(3) International Monetary Fund and World Bank lending "conditionalities" must be strengthened as a lever of political coercion.

(4) Britain must assume primary responsibility for the British Caribbean, that is, its former colonies and members of the Commonwealth.

(5) Jamaica, Guyana, and Grenada are "problem countries" in the region, because of their opposition to IMF conditionalities and their diplomatic relations with and support of Cuba, particularly in Third World forums. While Grenada and Guyana can be forced to change policies without changing governments, Jamaica represents a "different case."

Although a list of attendees is not available, it is known that two high-ranking U.S. State Department officials were present in London: senior diplomatic troubleshooter Philip Habib, and deputy-undersecretary for Central American-Caribbean affairs, Brandon Grove. Grove was formerly a European desk officer at the State Department. Habib, undersecretary of state

for political affairs under Henry Kissinger, toured the Caribbean area in late August to assess the extent of opposition to the United States and to pressure area governments into backing a cold war campaign against Cuba.

British brains, U.S. brawn

While Canadian and U.S. officials deny that the trilateral talks have any connection to the Carter administration's decision to increase military activity in the region, no doubt U.S. policy is being shaped in these meetings. Caribbean sources characterize the situation as a replay of the old 19th and early 20th century "special relationship" between the United States and Britain based on "British brains and American brawn." The London talks occurred almost simultaneously with the high profile land-sea exercises at Guantanamo Bay. The meeting was addressed by Sir Neil Cameron, head of Britain's combined military forces who has a reputation as an anti-detente spokesman and advocate of the "China Card" against the Soviet Union. Britain and Canada are behind the proposal to create a regional "naval patrol"—using the Coast Guard forces of "friendly nations" in the Caribbean—training for which is beginning in Barbados along the outlines of a British-drafted security plan. This would be a complement to the Joint Caribbean Joint Task force set up in Florida by the United States after Carter's Oct. 1 "Cuba crisis" national address.

Two Step Strategy

This is one facet of a "two-step" strategy to reassert American—NATO—control over the region as outlined in Jimmy Carter's special Presidential Directive 52 that orders an effort to isolate Cuba and undercut its growing influence in the Third World. While displaying U.S. capability, and readiness, to deploy militarily against any perceived "security threat," Washington is scrambling to put together a "democratic" alternative to Cuba's "radical" influence in Latin America. As the United States learned in Nicaragua, military interven-

tionism will, at this point, only feed the growing anti-American, anti-IMF "rebellion" and could provoke a serious backlash in relations with Europe as well.

U.S. promotion of "democratic change" is seen, however, only a temporary tactic to establish the measure of control and credibility needed to move militarily against any country or political force that backs Washington's policies ... in the name of "defending democracy."

The ongoing General Assembly of the Organization of American States, meeting in La Paz, Bolivia, is the scene of American diplomacy to create a "moderate democratic" counterweight to Cuba around the five-nation Andean Pact. The U.S. delegation, led by Secretary of State Cyrus Vance, is trying to convince the Andean countries to issue a "set of economic and political principles that would stand in contrast to the so-called Havana Declaration of Nonaligned Countries. The Havana Declaration attacked the IMF conditionalities, demanded creation of a new monetary system, and posed advanced sector intensive aid to Third World industrial development as the only remedy for world recession.

Vance is also trying, according to the Washington Star report, to sell the Andean pact countries on "Washington's conviction that the former colonial powers in the Caribbean, Britain, and France, joined by such countries as Canada and Japan, should play an active role in providing coordinated technological and economic assistance to the mini-states of the area."

The paradigm for Washington's "democratic" tactic, is last week's "moderate, centrist" military coup in El Salvador, a coup run largely through Venezuelan-allied Christian Democratic and Jesuit networks. Washington supported and encouraged the coup against repressive dictator Gen. Romero in order to preempt another popular revolution on the order of Nicaragua. It is expected that the United States will now renew military aid to El Salvador on the grounds that the "human rights" picture has improved.

—Mary Goldstein

State Dept. hand in El Salvador coup

Although State Department official Hodding Carter III firmly denied any role of the United States government in the El Salvador coup last week, evidence is mounting that shows differently.

As early as September, in testimony before the House International Affairs Committee, Viron Vaky, undersecretary of state for Latin America, cited U.S. special interest in Central America due to its "geopolitical proximity." Vaky warned that the feudal-like structures and overwhelming poverty of countries like El Salvador lead to growing polarization and opposition from the population. Since "change is inevitable," Vaky stressed, the United States must promote "peaceful change compatible with individual liberties and democratic values." This was an implicit reference to Secretary of State Cyrus Vance's policy that no more "Nicaraguas"—radical, sweeping away of the dominant oligarchical institutions—would be tolerated.

Sources close to the State Department report that Vaky made El Salvador his "number one priority" after the overthrow of Nicaragua's dictator, Anastasio Somoza in July. Both Vaky and William Bowdler, special envoy to Central America, took charge of efforts to secure "peaceful change" in the country, superseding the U.S. ambassador to the country. Flying "in and out" several times in the last three months, Bowdler and Vaky first tried to pressure the now-ousted Romero government to grant token concessions, and later met with Christian Democrats, liberal businessmen, and military officers to form a "moderate" replacement for the Romero regime.

According to as yet unconfirmed reports, the U.S. Military Assistance Advisory Group (MAAG) delegation to the country, which handles relations with the El Salvador military, was beefed up in the last several months.

One specialist on El Salvador reported that the Carter administration went so far as to lay down "conditions" on the composition of the new junta. Washington emphasized that the military representatives on the junta must come from desk officers, men whose distance from troop command and the army's repressive role would give them some credibility before the population. (That condition was met.)

A Jesuit combination

The leading "think tank" force that has emerged behind the new junta is the Jesuit order, centered around local representatives of the order's University of Central America. The university's rector, Roman Mayorga, is one of the three civilian members in the new five-man government. And a core of "very bright" economists from the university is being cited as the brains behind the operation. UPI reported that Jesuits provided the "spiritual counseling" to the officers involved in the coup.

This Jesuit role, along with the support of the related Christian Democratic party, is the key to whatever credibility the new government will be able to garner in the eyes of the country. Observers note, however, that Jesuits pose one of the more dangerous features of the new government. The religious order is notorious for its historically held advocacy of a medieval world order in which the oligarchy dominates a poor and superstitious peasantry.

The rest of the Latin American continent is not at all supportive of the new El Salvador junta. Regional observers have already dubbed the whole affair the "El Salvador model"—Washington's new method of holding off the vast social and economic changes in the area that development will require.

The U.S. 'reappraises' relations with Jamaica

Immediately upon the return of Jamaican prime minister Michael Manley from the Nonaligned summit in Havana in early September, a decision was made in Washington to "reappraise" U.S. relations with Jamaica. That "reappraisal" has already led to a decision that Washington, working with London, will work to remove Manley from power, and replace him with a government more easily controlled, according to reliable reports emerging from the recent London security conference.

Manley's "pro-Cuba" speech in Havana is the usual reason cited for the policy review, but the real reasons go beyond this. Since the Havana summit, Manley has made clear that he is committed to the creation of a new international monetary system as agreed upon by the nonaligned as their program.

For Manley this is crucial as the only way to relieve

Latin nations reject gunboat diplomacy

Washington's gunboat diplomacy in the Caribbean has not met with cheers in Latin America, even from some of the continental "big powers" traditionally aligned with the United States. Fidel Castro's challenge to the developed nations to industrialize the Third World struck a strong chord throughout the continent. As Peru's president Francisco Morales Bermúdez—who has tolerated the IMF "conditionalities" for three years—candidly said, Castro was speaking for the views of the entire Third World on economic policy.

Brazil's foreign minister, Ramiro Saraiva Guerreiro, told reporters in New York City Oct. 2 that Brazil is more concerned about "the international economic crisis" than about the possible security threat from Cuba. "Our borders are calm and we are capable of guaranteeing the security and well-being of our people," said Saraiva. "The only thing we are concerned about is the deterioration of the

international economic situation with its dangerous consequences for international trade, rising inflation and worsening energy crisis. These perils can have a negative effect on the Brazilian situation." Saraiva rejected as "interventionist policy" the idea of creating a standing Latin American military "peace-keeping" task force.

Even more striking is the opposition from Venezuela, regarded as a friend of Washington. Venezuelan Defense Minister General Rangel Burgoin adamantly rejected Venezuelan participation in any force to police the area, declaring that he found no strategic threat whatsoever in the few Soviet troops in Cuba. Venezuela has "no interest in participating in the conflicts of other states," he said.

The Herrera Campins government in Caracas refused to sign scientific agreements with the United States for fear of appearing to support Carter administration policy in the Caribbean. And a scheduled policy address by the Venezuelan energy and mines minister in Washington has reportedly been canceled in protest to Jimmy Carter's "roughrider" policy.

his country from the rule of the International Monetary Fund. Last year, the fund assumed daily control of the economic and financial operations of the country.

Jamaica sits on the Coordinating Bureau of the Nonaligned Movement, a body upgraded at the recent summit to hold greater executive powers. Thus Manley is in a position to exert international influence for a New International Economic Order. Manley's trip this week to Iraq and Libya has caused speculation that Castro's proposal for a \$300 billion development fund is high on the agenda, in addition to bilateral cooperation in oil, bauxite, and technical development. Manley has stated that the start of a serious dialogue between members of OPEC and the non-oil-producing countries of the Third World was one of the most important achievements of the Nonaligned summit.

Manley also has a close relationship with many African nations, and has maintained channels with Europe.

Breaking political conditionality

As he moves in concert with the leadership of the nonaligned movement, the Jamaican prime minister is trying to shore up his domestic situation. Since the IMF took daily control of the country, Manley has been significantly weakened due to the extreme harshness of IMF conditionalities on the population. Now Manley is relaunching his party's program for the development of the country. This involves constitutional reform that would make Jamaica a republic and end its current relation to the British monarchy. The queen and her representative, the Governor General, still rank over the prime minister, according to Jamaica's current constitution.

Another factor in the Washington decision to remove Manley is the election of D. K. Duncan to the post of secretary general of the People's National Party last September, under Manley's urging. D.K., as he is known, is one of the party's most popular leaders and the acknowledged head of the nationalist, state-sector oriented faction. With him at the head of Manley's party, the chances of Manley pulling together a winning combination in Jamaica's 1981 elections is greatly strengthened. It is widely understood in Jamaica that

D.K.'s resignation from the post of secretary general of the party in 1977 was one of the conditionalities imposed on Jamaica by the IMF.

Washington's response

Washington is now putting extreme pressure on the Manley government. On Oct. 15, Secretary of State Cyrus Vance called in Jamaican foreign minister Patterson for talks in Washington. Matters of "bilateral concern" as well as the present state of the world economic system" were the reported discussion topics.

Last week, Manley's leading opponent, Edward Seaga of the Jamaican Labour Party, also paid a "courtesy" call on assistant secretary of state for Inter-American Affairs, Viron Vaky, to promote his bid to replace Manley.

In September a consortium of banks announced they were cutting off negotiations on the refinancing of \$450 million of Jamaica's debt, as well as rejecting the extension of a new \$200 million loan. Investment in Jamaica, the bankers said, would wait on the resumption of some signs of growth in the economy, presently steeply declining.

In the past two years, living standards have dropped one-third, and this is the major source of instability for the Manley government. It is the primary reason that Manley's party lost the landslide mandate it received in the December 1976 elections which swept Manley into the government.

Now the Jamaican Labour Party (JLP) is promising to return to power and return Jamaica to its colonialist status. JLP columnists are already discussing in the Jamaican press how to bring down Manley before 1981, claiming that recent demonstrations they have called in Kingston show their real support in the country. With a recent injection of funding, the JLP has launched a tactic of continued mass protests against the economic situation and the Manley government.

The real danger, however, is the revival of terrorism, used in 1976 by the JLP to force Manley to impose a state of emergency. The international press has already signalled that it is prepared to begin a "human rights" campaign against Manley if he should move against rising violence in Jamaica.

Bircher Larry McDonald: it's done with mirrors

Acting on marching orders issued by the "liberal" *New York Times*, John Birch Society Executive Committee member, Representative Larry McDonald (D-Ga.), inserted the libelous criminal solicitations published by the *Times* into the *Congressional Record*. Again, responding to orders from the *New York Times'* editorial of October 10, McDonald added his own echo, demanding federal harassment action against the Democratic Party presidential campaign of Lyndon H. LaRouche, Jr.

Meanwhile, in New Hampshire itself, the John Birch Society is working in close support of the "Draft Kennedy" forces' harassment of the LaRouche campaign there. On one radio call-in show, a local right-wing eccentric announced that his slanders against LaRouche were given to him by the Birchers, notably by the notorious Al Stang. In intelligence circles, Al Stang is knowledgeably identified as one of four prominent agents of the B'nai B'rith's Anti-Defamation League, exerting significant controlling influence within the Birch Society command.

Although Representative McDonald himself is regarded by insiders as a weak-witted, credulous fool, McDonald's Washington, D.C. office is a serious national security problem. Although MacDonald himself is mentally limited this incapacity merely makes him more efficiently a dupe for British intelligence's John Rees, the same Rees who manufactured Newark's Imamu Baraka from the dejected, pathetic figure of black existentialist playwright LeRoi Jones. Rees, together with his ADL-linked sidekick, Herbert Romerstein, played a significant contributing role in orchestrating the Newark riots. Since the end of his connections to the late "Peyton Place" author, Grace Metallious, Rees has functioned as an intelligence operative for both the anarchist "New Left" organization, the Institute for Policy Studies (IPS), and later, out of McDonald's office, as a major source of disinformation circulated into police intelligence circles. Since Romerstein moved away from McDonald's staff, it is puppet-master Rees

who has been the sole visible control, in controlling McDonald himself.

International terrorism promoted

Exemplary of Rees' aid in promoting terrorism in the United States is the latest disinformation on that subject which Rees caused "trilby" MacDonald to insert in the *Congressional Record*. Following the party line dictated at a recent Jerusalem conference, McDonald lies in asserting once again that international terrorism is entirely a product of the Soviet State Security Organization (KGB), the Soviet version of the FBI. McDonald's office issues the lie at the same time Western European antiterrorist services and judges have proven conclusively that international terrorism is controlled by a combination of British, "right-wing," Israeli and Socialist International conduits.

Although Western intelligence services do report Soviet and other East-bloc efforts to penetrate terrorist-linked circles in the Mediterranean and European region, this is understood to be merely a standard Soviet practice of penetrating anything which might serve as a productive channel for Soviet intelligence entry into high-level Western circles.

For example, the first of the present-day international-terrorist entities, the Basque ETA, was created during the 1957-1958 period under the direction of a group of Basque-Jesuit priests. This action by one element within the Jesuit order is an aspect of the political operations repeatedly denounced by the late Pope Paul VI, and more recently denounced by Pope John Paul II in the context of his visit to Mexico. Continental Western Europe intelligence circles emphatically state that the Basque, Breton and Corsican terrorists in France are coordinated by British secret services, aided by elements of Israeli intelligence, the Socialist International, plus some nominally "right-wing" circles historically associated with the same OAS which was the principal conduit for various attempted assassinations of President Charles de Gaulle.

Defense of Italian terrorists

Unfortunately, under the Carter administration, Cyrus Vance's State Department has refused to cooperate with Italian and other secret services in the fight against terrorism. Quite the contrary, the anti-nuclear energy U.S. Ambassador to Rome, Richard Gardner, has repeatedly intervened into internal Italian affairs on behalf of Italian groups being prosecuted for terrorist and terrorist-linked activities. Former Attorney General Ramsey Clark, carrying an official State Department "tag" during his contributions to putting the butcher Ayatollah Ruhollah Khomeini into power, has also been a prominent behind-the-scenes orchestrator for defense of Italian terrorists, continuing his former connection to the legal aid of Baader-Meinhof and other international-terrorist groups in Western Europe. Also prominently linked to international terrorism is the "New Left" intelligence organization, the Institute for Policy Studies (IPS), together with a spin-off of the American Friends Service Committee, the Movement for a New Society. The Institute for Policy Studies, out of which the Weatherman terrorist group was spawned, is not surprisingly a former nesting place of John Rees.

There are, admittedly, certain Communist organizations which are linked ideologically to the cause of international terrorism, including leading elements within the Communist Party U.S.A. The CPUSA leadership is formerly linked to Soviet Communist Party intelligence, most immediately the U.S.A.-Canada Institute spin-off from the Communist Party's Moscow foreign-intelligence arm, IMEMO. IMEMO was created under the direction of British secret-intelligence triple agents Maclean and Philby, and is the principal coordinating center for British agents and British agents-of-influence inside the command of the Soviet party. Among the Communists in the United States most closely associated with political sympathy for terrorists is Angela Davis. Miss Davis, formerly a protégé of the American Friends Service Committee, was groomed for

her present career under the direction of the late Herbert Marcuse, himself one of the key intellectual figures as well as one who performed more substantial roles in the development of international terrorism. Miss Davis has also enjoyed, not surprisingly, the patronage of British intelligence, the same British intelligence channels which consolidated command of the leadership of the Communist Party U.S.A. during the 1930s, making the party a key element in the British-Canadian Special Operations Executive penetration into top circles of the Soviet leadership.

Coming full circle

Miss Davis' operations are the centerpiece of a special grouping within the Communist Party U.S.A. This grouping was formerly linked to the terrorist training operation at the Lincoln Detox center in New York City. Miss Davis and her immediate circle are considered to be leaders by a terrorist nest deployed under the cover of the Michigan "Anti-Nazi" Coalition. All of these operations intersect networks of both the Institute for Policy Studies and elements of the Anti-Defamation League, as well as overlapping with the spin-offs of the American Friends Service Committees' "Quaker Action Project."

Hence, one comes full circle. The Larry McDonald engaged in attempting to cover up for the real controllers of terrorism, turns out to be a puppet of the same John Rees formerly significant in both the Institute for Policy Studies and the coordination of the Newark race riots. This is the same McDonald who manifestly takes his marching orders from the *New York Times*, a McDonald who attacks the same LaRouche prominent as an internationally-respected authority in fighting international terrorism.

Whether he has the intelligence to know that fact or not, it is McDonald whose pedigree links him to terrorist controllers. His libels and slanders against LaRouche amount therefore, to a trick with mirrors.

Making the news media report the news

Pennsylvania state representative Joseph Zeller (D-Lehigh), has submitted legislation for "ethics" control over news reporters in Harrisburg, the state capitol of Pennsylvania. In an interview with Executive Intelligence Review, Rep. Zeller explained why some form of public accountability for newspaper and media reporters is necessary: "In many cases, the press doesn't report the news... they make the news." Therefore, like other officials responsible to the public, journalists—especially those dealing with political news—should be susceptible to some type of public, ethical accountability. Mr. Zeller also explained that his legislation, for financial accountability covering the press in Harrisburg, Pa., is a limited "foot in the door" toward this goal. In addition to his legislative career, Rep. Zeller worked as a reporter for nine newspapers in the Allentown, Pa. area for 25 years, and is currently a columnist for the Emmaus (Pa.) Free Press.

The statement of motivation delivered by Mr. Zeller to his legislative colleagues follows.

Since 1954 I've been representing the public through taxpayers leagues, councilman, mayor and legislator. I've watched the press become militant and abusive towards any public official who challenges their views and biased reporting. Thus their present cry "foul" over my planned ethics code for reporters.

Too many newspapers feel it is an accepted American tradition to throw truthfulness to the winds when reporting news or pushing a pet project. Therefore, the public views them as irresponsible and lacking in credibility; yelling when no wolf exists and hurting the public's right to know.

The press cries "Freedom of the Press" and "First Amendment Protection" where my bill would protect that right, through reporters revealing sources of income; showing possible conflicts of interest....

I know my bill is unpopular with the media. However, I've never been afraid to face issues, if the cause is right.

The track record of the press has been one of poor credibility for too many years and that is why A.I.M. (Accuracy in Media—ed.) was created and our plan to introduce an Ethics Bill just as other states have.

It has become an accepted American tradition by editors to throw truthfulness to the winds when editorializing a story and has unfortunately "to the public who depends upon the press for the truth," brought about a credibility loss.

The first amendment has been seriously abused whereas through it the press feel they are the judge, jury and verdict and untouchable.

They are the only group in America who holds the most power without regulations since the press is mightier than the sword and all they do is cry *first amendment* when challenged.

Since the press is protected through the first amendment to be able to print the news, shouldn't it be the *news actually*, not what the press wants it to be for whatever reasons to aid their cause.

Example: Gloria Steinem—former national leader of NOW who stated in 1977, I quote: "Any legislator who doesn't go along with our cause, write them up and if you can't find anything, create one..."

Members of the press say: Hey, I'm not paid by public funds, you can't include me in an Ethics Code. Hold it—yes, you can. First, your very profession is protected in the First Amendment, but since it is, it must be credible since you are the most powerful group that forms direction and opinions by the public.

This same public votes for representative government and expects this group of people to represent them credibly.

If the press plays politics with certain groups, individuals, for favors or a cause—what's the difference. Then they have violated a serious trust to the public and we know it has happened so flagrantly that the public has become very disillusioned with the press and just doesn't trust it.

Sure writers and editors can make honest mistakes,

but we see a constant misuse of power and we feel the public through this Ethics Law may get better reporting and find who is violating this trust that is given to the press through the First Amendment. Doctors, real estate people and most professionals are licensed and held accountable.

The First Amendment to our Constitution says "Freedom of the Press." However, with this power comes responsibility since this amendment was designed to help protect the public from those who could exploit them.

When our forefathers over 200 years ago designed our Constitution, the press was small, personal and effective. The editors and writers and publishers were well-known, respected members of the community. Today with the monopolized giant news media we have found the press has become a questionable source of news in too many instances; they don't write the actual news, they make it. Therefore, there has become a terrible and scary credibility gap which threatens the nation.

The accountability bill

Amending the act of October 4, 1978 (P.L.883, No. 170), entitled "An act relating to conflicts of interest involving certain public officials serving in State or State agencies and local political subdivision positions and prohibiting certain public employees from engaging in certain conflict of interest activities requiring certain disclosures and providing penalties," requiring employees of the news media who are regularly and ordinarily assigned to news coverage of the General Assembly to file financial statements:

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 4, act of October 4, 1978 (P.L.883, No. 170), referred to as the Public Official and Employee Ethics Law, is amended by adding a subsection to read:

Section 4. Statement of financial interests required to be filed. (q) Every employee of the news media regularly or ordinarily assigned to news coverage of the General Assembly shall file with the commission, the Secretary of the Senate and the Chief Clerk of the House of Representatives a statement of financial interests for the preceding calendar year no later than May 1 of each year.

Section 2. This act shall take effect in 60 days.

Rep. Zeller: there is a need

Here, Representative Zeller explains his legislation and discusses the problem of coordinated political manipulation by the media.

EIR: *I understand why you have oriented the actual ethics legislation narrowly toward reporters in Harrisburg, the Pennsylvania state capital, only. I would like to ask you some questions about the broader issues concerned with how the press creates rather than reports the news.*

For example, I know that you were involved in helping to bring about investigations into exactly what happened in the Three Mile Island nuclear plant incident. That was an excellent example of the press creating a false picture of the situation and misinforming the public.

Zeller: That is true. What has happened is that the press does not write the news, they make it. For example, from the "Burn, Baby, Burn" period of the 60s, a lot of the journalists who graduated from various colleges were involved in these campus strikes, are now editors, writers, at newspapers throughout the country and they have very liberal views. They are "shakers and makers" with regard to changes in the government, and so they've gotten away from the first amendment, which means the right and freedom of the press, and peoples' right to know. They have abused that to the point that the people no longer have a right to know. They are supposed to, but the press doesn't think so. The press thinks: 'we will guide them mentally the way we want to by the hogwash that we give out to them. We will guide public opinion in the direction we want.'

That's what happened with the various terrorist groups around the world and in this country. It's happening all over and the press is part and parcel of this whole operation, because it is infiltrated by those types of individuals. So I see the picture where they have eaten away at the first amendment, freedom of the press, and the right to know of the public.

EIR: *What groups and individuals, interest groups, forces, and so forth do you think are responsible for this?*

Zeller: The fact is that these people are tied into what I call the "international operation" of a group of people who absolutely feel that there should be no growth in this country.... They're socialized into a socialistic form of government, and "Big Daddy" is going to do everything for them. They don't realize that the very system that made them, that brought them to this point in time...is the capitalistic form of government...which has made it possible for these people to yak, to voice their opinions, to go to college, and so forth. They

for control of press power

don't understand this is the bottom of the pork barrel, and the only way we're going to get the country back on an even keel is by the whistles in the factories blowing, by the guy going there with his lunch pail and working and getting his paycheck, coming home and being able to buy food and fibers for his family, being able to drive a car and buy a home and educate his children—that's the cycle. But these people don't see that....

EIR: *I know—and we've published reports on this—that in terms of this ideology you're talking about, it's coming from specific groups and individuals. For example, the Council on Foreign Relations. Ninety-nine percent of the board of directors and editors of the New York Times, the executives of that publication, are members of the Council on Foreign Relations. And also many of them are members of various British "think tanks," like the International Institute for Strategic Studies, and the Royal Institute of International Affairs, of which the Council on Foreign Relations in New York is the U.S. subsidiary.*

Zeller: There's no question in my mind about this.

EIR: *The other mechanism, in a sense more subversive, is the Fund for Investigative Journalism, set up and funded by the Institute for Policy Studies, which specializes in what we call "political watergating," that is, in fabricating so-called investigations.*

Zeller: They do this all the time.

EIR: *These things work because the people who read these newspapers don't know who's running the "puppet show" behind the scenes, who's pulling the strings. How can we make that known?*

Zeller: It's very difficult. For example, the 1973 case in Alabama (an ethics bill broadly aimed at all aspects of the news media, which was ruled unconstitutional by the U.S. Supreme Court on first amendment grounds—ed). It's very difficult for my bill to go through if I widen it to apply to all reporters, and all editors, and all publishers. And I'll tell you why I directed my bill only to the state capitol and any reporter that works in the state capitol. ...The Alabama law in 1973: as I was saying...it did get passed, but it was challenged by the Supreme Court and thrown out.

The Alabama General Assembly passed it in 1973, and that would deal with all reporters. But what happened was the court challenged it under the first amendment...because it got into people that didn't deal with

public life. Therefore, the court said it was too far-reaching and would violate the first amendment....

Now the only area we're going to start with, as a foot in the door, is people—like some politicians in Harrisburg I of pay to do that. That is most needed because the trouble is you have this unregulated press monopoly...they own senators, they own congressmen, they own presidents, they own big companies.

Here in Allentown (Pa.) the newspaper here, the *Morning Call*, owns most of the downtown area, they own most of the big department stores, the houses, the properties...You have Phil Berman (business partner to the owner of the Allentown *Call* newspaper—ed.) in town, who owns Hess' Department Store, and he's very, very active with the Zionists. He is one of their big fundraisers in town. Both of them (Berman and the owner of the Allentown newspaper—ed.) are half-owners of a new hotel they're going to put up in Allentown, and they're tied in together. I exposed the fact that they got a \$3 million grant to put in a recreation program in that section, and they're going to use the building for it as part of the lobby for the hotel. I ran with the expose. So when I shake them up like that you know I "gotta go." I'm targetted. They've got their political gun-for-hire writer out for me....

EIR: *This sounds like somewhat of an anomaly since in many small towns around the country, you find a fairly honest and independent press. What has happened is that the British are trying to buy out the media throughout the U.S. Morgan Guaranty bank is advising their British clientel to buy up small U.S. newspapers, less than 100,000 circulation, and that the profitability is not in profits per se, but in the readership, the political influence. Of course the London Economist has been advising from some time now for the British to buy up America cheap. ...*

Zeller: Yes, they're trying to get the United States back.

EIR: *They're still trying to get control over the press that are not under the thumb of the Eastern Establishment media, putting out the line to go for the small newspapers in non-metropolitan areas.*

Zeller: They've got to get out in the boondocks. They're going to start buying up small papers out in the boondocks because that's where most of your responsible people are now. ... They've destroyed the big cities and got most of the people in the big cities brainwashed; now they're going to head for the boondocks and destroy the responsible people out there. ...

India: World's largest democracy at the

Barring unforeseen circumstances, the Indian people, an electorate of hundreds of millions, will go to the polls in early January to elect a new government. This election, a mid-term poll, comes less than three years after the 1977 elections that swept from power Prime Minister Indira Gandhi and the Congress party which had ruled India since its independence.

At this moment the Janata party, which took over, is a shambles, broken up into the various constituent parties which originally came together to oust Mrs. Gandhi. Mrs. Gandhi is poised to reverse her defeat and reassume leadership of India.

The Contenders for power

The main contenders for power in the election are now divided into three groups: one is the Congress party of Mrs. Gandhi; the second is the remains of the Janata party, led by long time Indian political leader Jagjivan Ram, who was deputy prime minister in the post-1977 government of Prime Minister Morarji Desai; and lastly the grouping led by the current caretaker Prime Minister Charan Singh, who pulled out of the Janata. Charan Singh collapsed the Desai government in August and has since reformed his base into the Lok Dal party, which also has the support of the anti-Gandhi wing of the Congress party known as the Congress (U).

The only remaining major force in India is the Communists, the pro-Soviet Communist Party of India (CPI) and the Maoist-leaning Communist Party-Marxist (CPM), who de facto support the Charan Singh-Congress (U) combination.

Who then are these forces, what do they represent in this election? The position of Mrs. Gandhi and her Congress is best explained in the accompanying interview with the editor of the leading Indian newsweekly *New Wave*, Mr. Ganesh Shukla.

Both the Janata of Ram and Charan Singh's axis have made clear that they are running *against* Mrs.

Gandhi. Ram's position is perhaps the weakest. Ram himself is a figurehead with a personal appeal particularly to the untouchable caste, of which he is a member, but with a party which in reality consists almost entirely of the rabid Hindu chauvinist and communalist Jan Sangh party and his neofascist militia, the Rastriyo Sevak Sangh (RSS). The spectre of an untouchable running at the head of a party and organization with a history of castism and narrow sectional appeal is not what could be called a winning combination.

The Jan Sangh and RSS efforts to use the Janata as a cover for their attempts to seize political power during the Desai government was the issue that brought that government down. The frightening rise in communal—Hindu versus Muslim—violence during the past few years was correctly pinned on the fascist RSS, and it will be difficult for Ram to shake that association.

Charan Singh, for his part, has sought to cover his own thoroughly reactionary small-peasant outlook with a mantle of "progressivism," with the slogan of "anti-communalism, anti-authoritarianism." The former refers to the Jan Sangh-RSS while the latter refers to Mrs. Gandhi.

The Singh government at present consists of his own mish-mash Lok Dal, the anti-Gandhi Congress now led by Karnataka Chief Minister Davraj Urs (hence Congress "U"), and the remains of the Willy Brandt-allied Social Democrats led by George Fernandes.

Singh's own history and his declared election program makes him the foremost proponent of the World Bank's program for India—a rejection of industry-led modernization in favor of "small is beautiful" ruralism and austerity. In fact Singh, who had his name as the author of a book which scorned Nehru's policies for the industrialization and scientific development of India, now advocates that sections of India's vital public sector industry be auctioned off if they do not turn a profit. He has also proposed that strikes be banned, wages be

crossroads

suppressed—all to accomplish an austerity drive against the urban, industrial sector of the economy.

The Singh program rejects the idea that continued capital-intensive industry will bring development and calls for creating handicraft, “tiny industry” in the rural areas, while trying to appease the rich farmers who form Singh’s personal base, particularly in northern India. It is not clear whether those farmers, who are now benefiting from industrial inputs like tractors, fertilizer, and irrigation systems, would tolerate the implementation of such a policy for long.

This World Bank perspective has in the past few days forced a new crisis for Singh—the forced resignation of his Finance Minister H.M. Bahuguna, a respected progressive Congressman who broke with Mrs. Gandhi in 1977 to form the Congress for Democracy (CFD) and then joined the Janata. Bahuguna refused to join Singh’s Lok Dal party, preferring to re-establish the CFD as an independent unit in the elections, with the possibility of an arrangement in certain areas, particularly the crucial northern region, with Mrs. Gandhi’s Congress.

The departure of Bahuguna will result in a crisis for the left, who are now supporting a Singh without even the fig-leaf of a progressive cover. For the CPI in particular, which has traditionally aligned itself with the nationalist leadership of the Congress, this is a difficult dilemma.

Decision for the Electorate

Over the next two months or so the battle will be waged before the Indian masses, an amazingly politicized populace despite its mass illiteracy. The proverbial “largest democracy in the world” will exercise its mandate—despite persistent rumors likely coming from Singh’s people of a “postponement” of elections—in a vote which is sure to have great strategic impact on the international situation.

Exclusive Interview

New Wave’s Ganesh speaks about India

Ganesh Shukla, editor of the Indian newsweekly, New Wave, granted this interview to the Executive Intelligence Review. Although Mr. Shukla toured the United States—and now Europe—with an eyewitness report on the holocaust perpetrated in Kampuchea by the Chinese-puppet regime of Pol Pot, he focuses his attention here on the political situation in India.

Q: *With the downfall of the government of Moraji Desai and then his successor Charan Singh, India now faces national elections again, to be held in the end of December. How do you see the situation shaping up and what are the issues of the campaign?*

A: Now, after two and a half years of nongovernment by the Janata Party, the issue in India today that is being debated is whether India will have a stable national government or not. Right now, Mrs. (Indira) Gandhi has become the focal point of the national election campaign because the broad masses of the Indian people think that she alone is in a position to provide a stable and development-oriented government that will be able to restore the traditional Indian political system.

Q: *What do you mean by India’s traditional political system?*

A: This means that India returns to the policy of economic development, in a planned manner, returns to a policy of justice to the weaker sections of the populations, restores India’s foreign policy of independence, peace, and nonalignment, and takes its rightful role in the world again. This embodies the basic nationally accepted political system of India since Independence, as it was defined by Jawaharlal Nehru.

Q: *How do you see Mrs. Gandhi’s prospects for winning?*

A: The climate is very favorable for Mrs. Gandhi.

Q: *That’s quite a change since her defeat in 1977. What has happened since then?*

A: In 1977, Mrs. Gandhi was defeated not because of the emergency period that she imposed on the country, but due to the failure of the government to understand the World Bank game and to reject the policy framework that the World Bank put forward for India. This failure was reflected in the government’s giving second place to development strategy and giving first place to population control. The World Bank recipe was that

family planning is the greatest development input into the Third World. Many operations of a political nature were thus able to be run against the government in the year before the elections because of this weakness. Mrs. Gandhi became alienated from a large section of the population, and in the implementation of program quite a few excesses were committed which were taken advantage of by Mrs. Gandhi's detractors.

But, during the last two and a half years, people have experienced in their own lives that those who were against Mrs. Gandhi in 1977 were not their friends, but their enemies. The Janata government's failure to maintain law and order, to provide physical protection for the weaker, exploited sections of the rural poor, its incitement of communal insurrections, and abnormal price rises—these things hurt the people all over the country. Moreover, the Janata government have an entry for tendencies to once again appear in the country which are threatening the unity of the people and the territorial integrity of the country.

Naturally, people feel that Mrs. Gandhi, who carries the heritage of the Indian freedom movement, is the only available national political leader who can govern in this process.

Q: With the fall of Moraji Desai, it would seem that the Janata coalition party has really fallen apart. Can you explain what the Janata party actually was and why it didn't work?

A: The Janata was essentially a conglomerate of half a dozen political parties and factions with nothing in common except their hatred of Mrs. Gandhi. It represented an alliance of the trading community, led by Jan Sangh, and rich farmers of a certain caste, whose spokesman was Charan Singh. This was always a very tenuous alliance. When the Janata came to power, the farmers were the greatest losers—because of a certain fall in food prices and a concurrent rise in prices of manufactured goods, including fertilizer and the daily necessities of the farmer. That is the real reason for the split between Charan Singh and Desai, in addition to their own hunger for power. But the way the internal party struggle was carried out has created only disgust among the broad masses of people.

Q: The Congress Party, the party identified with the fight for independence and the tradition of Nehru, has also split into the Congress-I party of Mrs. Gandhi and the Congress-U. How does this split in the nation's most important political party effect the election process?

A: After March 1977, many people in the Congress Party felt that Mrs. Gandhi was no longer a vote-getter for them, partly out of fear of the new government and partly because of opportunism they thought they would gain by denouncing and ostracizing Mrs. Gandhi. They were also highly influenced by the mass media, which

in Delhi was claiming that Mrs. Gandhi had ceased to be a figure of consequence.

In that process they went too far, and now they are finding it very difficult to retrace their steps. But the rank and file and the middle level leadership of the Congress Party have rallied behind Mrs. Gandhi. What is now known as the Congress-U is really an organization of leaders, but without cadre and without mass following. So when people think of the Congress Party, they think of the Congress that Mrs. Gandhi is leading.

Q: How do the left parties fit into the national election process—I'm speaking of the Communist Party of India and the Communist Party Marxist?

A: For decades, the one issue that has been dividing the Communist Party in India was the party's attitudes toward the Congress Party and toward Nehru in particular. In 1964, on this issue, the Communist Party was split—one party constituting itself as the Communist Party-Marxist. As far as the CP-M's policy is concerned, it is totally opposed to the Congress. It believed and still believes that it stands to gain from social and economic chaos.

The position of the CPI is different, both in its programmatic outlook and in its tactics. The CPI and the Indian National Congress Party, led by Mrs. Gandhi, have been working together in the legislature and in Parliament and in various mass forms. The CPI rightly supported the proclamation of a state of emergency by Mrs. Gandhi. It had a correct understanding of the danger to which the country was then exposed in 1974 and 1975. However, in the post-election period after March 1977, a section of the CPI felt the same way as some of the leaders of the Congress Party, who are now Mrs. Gandhi's determined opponents. Because of the CPI's failure in March 1977 to win a sufficient number of parliamentary seats, a sectarian tendency has emerged which in practice reflects the same kind of attitude as the CP-M. Therefore, the CPI is today running after the slogans of "left and democratic unity" with the CP-M, on the one hand, and the Charan Singh-type ruralists on the other. This deviation has left some sections of the party to make ideological concessions to the CP-M, and that will be quite damaging to India's democratic movement.

Q: Given this panorama of the Indian political process, how exactly do you assess Mrs. Gandhi's strength going into the national elections?

A: Her strength lies in her appeal to the poorest of the poor who constitute nearly 20 percent of the population—the harijan, untouchable caste, and in her appeal to the adivasi, the tribalists, and the religious minorities of Muslims and Christians. Then she has the support of the farmers, both the poor and the middle-level farmers,

and has the support of a quite a good section of the urban middle class.

By the urban middle class, I mean white-collar employees, engineers, teachers, scientists, and these comprise a very powerful section of the population in formulating policies and programs for India. They have come around to Mrs. Gandhi.

A good section of the industrial working class and trading class are not reconciled to her. There are certain castes, which have had a good share in the power in the states in the past two years, who are also hostile to her. But whichever angle you look at it from, Mrs. Gandhi is the accepted national leader in India.

Q: *What will a victory for Mrs. Gandhi mean for India?*

A: It will mean a restoration of the traditionally accepted national policies in both the internal and external spheres. It means a return to a development orientation, and the relaunching of a political fight for the New International Economic Order as the crucial issue of the Nonaligned Movement. Mrs. Gandhi was one of the initiators of the New International Economic Order, and she knows what it means.

Her victory also means a decisive rebuff to Anglo-American imperialism on the Indian subcontinent. She is in sympathy with the fight of the Vietnamese and wherever she speaks, she tells the Indian people of the holocaust in Kampuchea. But her victory will be a blow to the entire policy being pursued by the Anglo-American circles. By this I mean the murder of Mujib Rahman (head of state of Bangladesh), the murder of Bhutto, and the destabilization of Indochina. Her victory will begin the reversal of this policy, because if India starts acting as it should, it gives the needed strength to the fight for development in Southeast Asia and Asia. That is why many nations in Asia are looking toward the elections in India.

Q: *And lastly, Mr. Shukla, what will be the role of your newspaper, New Wave, in this process?*

A: Since we came into existence in 1971, we have been fighting the International Monetary Fund's design to stop India's development, to destroy India's sovereignty. We are working for a broad alliance of prodevelopment forces in India to facilitate the industrial development of the country and all around the world. And irrespective of who the power may be, we have been and we continue to point out, in a real progressive sense, the programs and policies that serve our nation best.

We know that winning the elections is not an end in itself, but just a means. If Mrs. Gandhi wins, as we hope she will, she will have to create a new consensus in the country as Nehru had created during the fight for independence, that takes this nation forward. She is very much conscious of it, and in this process, *New Wave* has a very significant role to play.

'For stability, unity and progress' in India

Following is the text of a statement on the political situation adopted by the All India Congress Committee (AICC-I) on Thursday, Sept. 14. This text originally appeared in the progressive Indian newspaper New Wave.

With the dissolution of the Lok Sabha a tragic chapter, dismal and dark in the history of the country comes to an end.

The national scene left behind by the Janata Party is one of desolation, distress, disgrace and disintegration. The economy today is in a shambles. Galloping inflation, spiralling up with irresistible momentum, has overtaken the country. Working class cost of living index has shot up to 354, the highest ever. Money supply has reached an appalling figure of 33 thousand crores, the highest ever. Industrial growth, on the negative side, has reached the nadir, the lowest ever. Unemployment figures have soared to the highest levels ever. Essential commodities are in short supply so that the country has become a paradise for hoarders, black marketeers and smugglers. The self-sufficient structure of our economy, so carefully built up over the years, has been left badly fractured. The damage done to our economy has reached the point of irredeemability.

On the social front the nation is in deep crisis. Divisive forces and sectional passions have taken the upper hand. The minorities, the weaker sections, the Harijans and the Adivasis are living in acute distress and under growing sense of insecurity. The standard of public conduct and political morality has never been so low. The atmosphere is thick with vile and vicious charges traded against one another by Cabinet Ministers and quietly withdrawn on convenient reconciliation, with the result that the system itself is facing a crisis of confidence. The breakdown of law and order has become a regular feature of life. Security to life and property no more seems to be an obligation of the Government. Added to this, regional conflicts are assuming menacing dimensions.

Policy reversal

On the international front the nation has lost its leading position of respectability and moral authority. Even in the non-aligned movement of which India was one of the founding fathers, the country has come to play the role of a back bencher. The reversal of the policy of the nonalignment with the spurious phrase of "genuine nonalignment" has cost the country dearly. Despised by

the advanced nations and disowned by the Third World, India is today, like a rudderless boat, without direction in the rough waters of international affairs and is fast becoming a target for threats and menacing postures from neighboring areas. Rumbblings are already audible from the northeastern and from the northwestern corners. The security of the nation is today under threat. To be or not to be, that is the question before the nation in every aspect of its life.

Archaic and obscurantist elements who took over the administration had during the two-and-a-half years of misrule mounted an onslaught on Jawaharlal Nehru and all that he stood for. They ridiculed, scuttled and abandoned the 20-point program which had come to the common man as a boon and as a forward leap. The momentum of progress was halted and the nation was put in the reverse gear. The result is the appalling scene of desolation that the Janata Party has left behind.

While the nation was looking up to the Janata Party Government for the solution to the problems of poverty, misery, disease and squalor, the Janata Party Government wasted vindictive action against Smt. Indira Gandhi and thousands of other Congressmen. They resorted to unlawful arrest, vindictive prosecutions, misuse of the machinery of Commission of Inquiry, meddling with the judiciary and manipulation of publicity media. The Janata Party Government misused its majority in Parliament to expel Smt. Indira Gandhi after she had secured a massive mandate from the electorate in Chikmagalur. All of these served only to alienate them from the people. They sacrificed the nation at the altar of personal vengeance against Smt. Gandhi.

Vision

In contrast, the story of the nation, under the stewardship of the Congress, after independence was one of sustained growth, development and consolidation. Mahatma Gandhi as the leader of the Congress movement had given to the Congress and to the nation the vision of the India to be. Jawaharlal Nehru truthfully and faithfully interpreted the vision of the Father of the Nation and had, during his period of stewardship, enabled the people to evolve the concept of the India of their dreams. Mrs. Indira Gandhi during the decade of her stewardship had taken the country further forward on the path of democracy, socialism, and secularism which the Nehru line of thinking had initiated for the nation.

The disintegration of the Janata Party was inevitable. The seed of disintegration was planted in the party on the very day of its formation. As repeatedly pointed out by the Congress, it was a conglomerate of disparate constituents covering a wide spectrum from Socialists to Swatantrites and from the statusquoists to anarchists. Unable therefore to pursue any positive policy it was bound to drift aimlessly. This resulted in inner party

tensions, personality conflicts and power struggle. Realizing that the ship of the Janata party was sinking, persons and groups of persons started jumping out. From the hypocritical scene of massive oath-taking at Rajghat in 1977 to the present spectacle of the two halves of the Janata Party flinging abuses against one another, the nation has witnessed a picture of dismal national betrayal.

Clinging to the chairs of office, although rejected by the Parliament and by the people, the Janata (S) pretends to be free of responsibility for the mess that the country is in. The Janata (S) cannot escape responsibility for all the sufferings that the people are undergoing. Now that they are sticking on in their respective chairs without any conceivable moral sanction their answerability is all the more manifold. The Janata (S) Government is, in effect, standing guard for the anti-social elements and the economic offenders to manipulate products and market and to fleece the people.

Instability

The Janata Party and the Janata (S) are both chips off the old block. Carved out by a vertical split and retaining their character as the conglomerate of disparate constituents a repeat performance of undivided Janata Party is all that can be expected from both. Both of them carry the menacing promise of instability and anarchy in the same measure as did the original Janata Party. Both of them carry the stamp of reaction, retrogression, communalism and casteism, no less than did the original Janata Party. Both the parties jointly and severally are the worst reaction entrenched in Indian politics. They stand four square against the path of progress and development that Pt. Nehru delineated for the nation and they both seek to take the nation backwards and away from that path.

Loud noises are being made by a few persons and groups claiming themselves to be leftists. Their clatter about authoritarianism is an exercise to hide their own totalitarian character and their gang up with reactionary forces. It had been their misfortune to operate in isolation, isolated from the national mainstream and aligned with reactionary forces. They could never accept the democratic socialist movement of India which the Congress alone has been representing.

The AICC affirms that, spearheading as it does the democratic socialist movement of the country, the Congress and the Congress alone represents the national leftist mainstream in tune with the genius of India. All else, talking the language of ultraleftism is puerile adventurism. So far they have been hand in glove with the Janata (S) which, for all to see, is the symbol of the crudest type of casteism, anti-Nehruism, kulakism and reaction. That the democratic socialist movement will have to contend with the combination of the forces of the right reaction and the left adventurism was a

warning given long years back by the Congress and Pt. Jawaharlal Nehru. The warning is again proving true at a crucial movement of the history of our country.

Rump

In the backyard of the parties and groups that count more or less, feeble noises are made by a group in the name of the Indian National Congress. Deserted by the millions of Congressmen, that group is left with nothing that is akin to the Congress. That this small rump should call itself the Indian National Congress is an insult to the majesty and to the might of the Congress movement. Now that it has adopted the leadership, the election symbol and the manifesto of the Janata (S) the last of what little of Congress semblance it had, has been abandoned. Its political significance on the Indian scene has become too irrelevant to deserve attention at the hands of the AICC.

Undignified attack

Afraid of going to the people, the Janata Party has launched an undignified attack on the President for calling the general elections. By launching a crude and vicious attack on the President, the Janata Party has attempted to strike at the center of the Constitution. The motivation behind this attack is their guilty conscience and their fear to go to the people. The AICC welcomes the decision of the President to order the general elections. To refuse the election would have been to reject the demand by all the parties in the Lok Sabha. Nothing could have been more undemocratic and more against the people.

The Congress considers its political task as not one of mere operation but as a continued revolutionary endeavor for the transformation of the society. The fundamental process a long way through, calls for

resumption after the unhappy interruption by the Janata interludes.

It has become an imperative duty of the Congress to restore India's prestige in the international world by reviving and strengthening the non-aligned movement, establish a stable, sound, secular and democratic administration in the country, restore the confidence of the Harijans and Adivasis, the minorities and the backward classes, in the future of the nation, rejuvenate the economy with appropriate policies so that economic growth and stability may ensure the elimination of poverty and the establishment of an egalitarian society and may provide all around progress in the development of science, technology, art and culture.

Summoned to the polls, the nation is approaching a moment of destiny where the electoral verdict of the people will be decisive for the future of the country and for long years to come. The task before the nation is stupendous. A clear-sighted, strong and able administrative leadership, committed to the cause of democratic socialism, secularism and self-sufficiency and having the determination to defend the weak and the lowly is imperative to lift the country from the morass into which the Janata Party has plunged it. A halting electoral verdict endangering stability at the center will endanger democracy itself.

The AICC calls upon the millions of Congress workers and the larger number of its sympathizers to fan out to every nook and corner and to explain to the people the vital issues involved in the forthcoming elections. The AICC appeals to the people to rise to the occasion and, taking into account the basic issues involved, give an electoral verdict giving to the Congress a mandate in no uncertain terms, to resume the task of taking the country forward on the path laid out by Pt. Jawaharlal Nehru.

Congressional Calendar

Hearings set on Volcker credit crunch

Congressman Parren Mitchell (D-Md.) has announced that hearings will be held on the "fiscal austerity" policy of Federal Reserve chairman Paul Volcker Nov. 13-15. The Fed chairman will testify Nov. 13.

Mitchell has set the hearings for a month from now to give time for the full effect of Volcker's policies to become apparent.

Mitchell says that he himself would propose "a reduced money supply," but according to aides on the congressional Black Caucus staff, he also has other things in mind. Spurred by the threat of increased unemployment, especially in the nation's cities, Mitchell and Rep. Hawkins (D-Calif.) plan to use the debate around the Fed's policies to build support for government-financed jobs programs. As Mitchell sees it, Volcker has provided the opportunity to finally push the substance of the Humphrey-Hawkins make-work bill through Congress.

A "Big Mac" for Chrysler?

While the House Economic Stabilization Subcommittee of the Banking and Currency Committee has held hearings "exploring" the merits and necessity for Chrysler's federal aid request, Capitol Hill sources report that the real issue has yet to be put on the table: the Treasury Department's demand

that aid to Chrysler be coupled with a "Big Mac" takeover of the corporation's management by outside interests.

The administration, led by the Treasury Department, apparently has no intention of granting Chrysler's aid request unless Chrysler submits itself to the kind of outside accounting entity established in the British Leyland case and in the case of federal aid to the city of New York. UAW president Douglas Fraser's request that Chrysler workers be represented in Chrysler decision making indicates that Fraser would probably go along with the scheme.

The final administration decision is likely to strongly determine the ultimate subcommittee and committee decision on the matter. So far, very few congressmen have placed themselves firmly on either side of the issue, with the exception of Rep. James Blanchard (D-Mi.), who has introduced draft legislation modeled essentially on Chrysler's request. Subcommittee chairman William Moorehead (D-Pa.), at the first hearing on Oct. 18, stated that he wanted to either give Chrysler no money at all, or give it sufficient money to prevent bankruptcy. "I don't want to get into a situation where we give you so many hundreds of millions of dollars, and you still go bankrupt because it wasn't enough."

Moorehead and ranking Republican Stewart McKinney are reportedly leaning toward granting some kind of aid. Other Democrats

such as John LaFalce (N.Y.) and Mary Rose Oaker (Oh.) questioned Chrysler closely on why the company should not put itself through a Chapter 11 bankruptcy. This was a surprise to many observers, who had expected a more positive response to the plight of the tenth largest corporation in the country.

On Oct. 23, Detroit mayor Coleman Young testified before the subcommittee and declared in no uncertain terms that a bankruptcy would be a national disaster. Speaking for himself and the U.S. Conference of Mayors, Young said, "If Chrysler were to fail, numerous cities in a number of states would face economic crises which range from bad to catastrophic. ... This country has never faced the failure of an enterprise employing over 140,000 people. ... In Delaware, the area would lose 14,000 jobs and have its unemployment doubled. In St. Louis, more than 25,000 jobs could be lost. metropolitan Syracuse would have its unemployment rate doubled, as would Huntsville, Alabama. In Kokomo, Indiana, 40 percent of all jobs would be affected by the direct and secondary effects of a Chrysler shutdown." Young then went on to detail the tax losses to various cities from a Chrysler shutdown.

Even after his testimony, Capitol Hill sources report that the mood of the subcommittee is hard to call. They stress that most will follow the Carter administration's lead. A proposal from there is due the first week in November.

Kennedy's Illinois Brick Bill

Despite the threat of a filibuster from Senators Hatch (R-U.) and Thurmond (R-S.C.) and the strong opposition of business, Senator Edward Kennedy seems determined to ask Senate Majority Leader Robert Byrd (D-Va.) to bring the Illinois Brick bill to the Senate floor as fast as possible and absolutely by no later than January.

The legislation would permit consumers to sue and collect treble damages from a corporation that had been convicted of price-fixing and other antitrust violations, even if they do not buy directly from the company. As it stands now, the bill would invite numerous class action suits against corporations by consumer groups.

The current antitrust suit against IBM shows the impact the bill could have. If IBM loses the 10-year-old case the Justice Department is prosecuting against it, IBM will be potentially liable to pay treble damages to every individual who received services from companies relying on IBM services.

This week, Kennedy met with Sen. Morgan (D-N.C.) and Sen. Danforth (D-Mo.) to discuss strategy to get the Illinois Brick bill through. According to their aides, the three intend to offer many compromises to see it pass. On the day the bill is introduced, said one aide, there will be an immediate amendment introduced by Danforth and Morgan taking out those parts of the bill allowing for class action

suits. "We will amend it immediately so there will not be a lot of Naderite suits," said one staffer. However, businesses and state government would then still be permitted to sue down the line of users.

Kennedy has his political leadership in the Senate on line with the Illinois Brick bill. It is the first bill he has managed as chairman of the Senate Judiciary Committee. Sen. Byrd has refused to allow the bill to come to the floor unless he knows there will be 60 votes to close off the expected filibuster. Furthermore, even such staunch Kennedy friends as Sen. George McGovern (U-S.D.) have refused to endorse the bill. In McGovern's home state of South Dakota, advertisements are appearing placed by food chains opposing a suit by cattlemen that charges that the supermarkets fixed low prices for the meat they buy from meatpackers, who buy from the cattlemen. This suit would be permitted to proceed under the Illinois Brick bill.

A Congressional FEC?

This week the House passed by a vote of 217-198 the Obey-Railsbach bill, ending a victorious phase one for the attempts of Sen. Edward Kennedy and Common Cause to extend the powers of the Federal Election Commission.

The bill will approve amendments to the Election Code prohibiting candidates for the House from accepting more than \$70,000 from

corporate political action committees, known as PACS. The legislation reduces the amount a single PAC can give to one candidate from \$10,000 to \$6,000.

The legislation is currently being reviewed in Senate conference, where it is subject to approval as a "courtesy" to the House, if the Senate Administration and Rules Committee so decides. Common Cause spokesmen believe the Senate will let the legislation stand. Common Cause has consulted closely with Rep. Obey (D-Wisc.).

It was the Common Cause suit against CREEP (Nixon's reelection committee) that got the Federal Election Commission established. Common Cause Capitol Hill lobbyist and legal adviser, Fred Wertheimer has made clear that the Obey bill is the first step in extending the commission's power over Congress: "This is a foot in the door for public financing; in this session, there is much opposition to public financing legislation...too much opposition to having the money taken out of congressional elections. First we get the Obey passed, the legitimacy of the concept of limiting outside campaign spending of special interests, and then we will be able to limit it altogether, either by having the FEC or the national parties themselves running the financing of the congressional candidates."

How do they propose to pass public financing? Wertheimer stated: "Kennedy is the principal sponsor in the Senate of our ideas..." Kennedy for President, anyone?

FACTS BEHIND TERRORISM

Justice Department opens door to terror

Attorney General Benjamin Civiletti's recent release of four Puerto Rican terrorists convicted of attempting to murder President Truman, combined with the announcement on Oct. 20 that the remaining members of the Weather underground terrorist organization have had federal charges against them dropped add up to a green light for a full-scale terrorist activation in the United States.

Two major terrorist incidents have already been carried out by the Puerto Rican terrorist organization, the FALN, and the Manson-Symbionese Liberation Army cult.

As a result of Civiletti's actions, coupled with the Ford Administration's Levi guidelines which have crippled intelligence and law enforcement authorities, the growth of terrorist organizations and their support groups will go unabated.

Upon their release earlier this month the four Puerto Rican nationalists went on tour, addressing rallies of the FALN (Armed Forces of National Liberation). Last week, the FALN bombed two Chicago city government buildings. Reportedly there was an FALN threat to bomb the Indian Point nuclear power facility in New York. Such a turn toward environmentalist terror should come as no surprise to our readers. Shortly before the attempted environmentalist action at the Seabrook, N.H. nuclear power plant construction site, it was learned that terrorist sympathizers from FALN support

units in New York City and elsewhere had joined with proterrorist elements of the environmentalist camp to help coordinate logistics and train personnel for an assault on the complex.

The Oct. 20 decision by the government to quietly terminate its investigation of the Weather underground included a dropping of all charges against individual terrorists of the organization. The implications of this decision become clear in light of a recent terrorist activation in Seattle, Washington.

On Oct. 14, the reorganized Manson-SLA cult attempted a jailbreak from the Kings County jail. One policeman was killed in the attempt. The leader on the inside was Artie Baker who was awaiting sentence for the murder of a U.S. northern Border Patrol agent. Baker was groomed as a terrorist at a commune near Honeydew, Calif., called the Well Spring Communion. The 240-acre ranch, a guerrilla warfare, terrorist training "safe house" is guarded day and night by armed men wearing ammunition belts.

One of the co-owners of the ranch was a personal acquaintance of Sara Jane Moore and was four feet from Moore when she attempted to assassinate President Ford.

Working from the outside on the attempted breakout were two other individuals who have been identified as convicted felons who worked for the SLA and this Communion network.

Law enforcement officials associated with the Humboldt County Sheriff's Office have confirmed that members of the commune are not only members of the SLA, but of the Black Liberation Army and the Weatherunderground.

As late as Nov. 19, Weatherunderground members were arrested for actively conspiring to bomb the offices of California State Senator John Briggs. The four arrested included Judith Emily Bissell and a woman using the alias Grace Fortner. Both are members of the Revolutionary Committee of the Weatherunderground. A third, Clayton Van Lydegraf, has been identified by law enforcement agencies as the ringleader of the Prairie Fire Organizing Committee (a Weatherunderground support apparatus) in San Francisco. All three plus the fourth, Thomas Michael Justensen, were members of the terrorist Seattle Liberation Front, wanted for bombings and conspiracy to riot.

On Oct. 7, one week before the Seattle jailbreak attempt the Long Beach Independent Press Telegram (California) quoted an intelligence agent as saying that members of the Manson family cult and the SLA have joined forces and that the group "is planning something that will make the Patty Hearst thing look penny ante." Reportedly, nearly \$2 million has been raised through crime to help Manson, his followers and SLA members escape from prison.

With this wealth of public knowledge, the failure of the Department of Justice to act properly in preventing terrorist actions represents a clear-cut case of political contamination or total stupidity on its part. The DOJ, through its actions, has set up the nation for large-scale terrorist activity paralleling that which has occurred in Western Europe.

—Robert Kay

LABOR PERISCOPE

Will labor go after the Fed?

The shivers of terror that ran down the spines of trade union leaders last week, as the intent of Paul Volcker's new "anti-inflation" policy became clear, have given way this week to the beginnings of movement to put a stop to the Federal Reserve Chairman's plan for a new depression. Only a few labor leaders so far have denounced Volcker's interest-rate hikes, but so have some bankers, some politicians, and some industry spokesmen. One presidential candidate, Democratic contender Lyndon LaRouche, is calling for the Federal Reserve chairman's immediate impeachment. From the nature of the issue, however, labor ought to be up front.

Indicative of what the Volcker package will mean for the building trades, for example, the National Association of Homebuilders launched its own drive against Volcker this week with a full page ad in the Washington Post. "There must be a better way to deal with inflation than policies that will deepen and prolong our national recession, cut new home construction in half, and throw 1.5 million men and women out of work. . . . When will Washington policy makers learn that high interests rates force-feed inflation, not starve it. . . ."

But so far, not a peep from the building trades unions, who are charged with representing those 1.5 million women and men.

Admittedly, Lane Kirkland has been compelled to say something. The man who is almost certain to replace George Meany at the top of the AFL-CIO delivered a mild criticism of the Fed effort to provoke depression. Volcker's policy is the "controlled disintegration" policy of the New York Council on Foreign Relations, of which Mr. Kirkland is a member. Said Kirkland, Volcker's action is "the wrong measure at the wrong time" and the administration ought to adopt "specific measures" to "shelter areas of great social need from the chill wind of tight and expensive money." (He added that the "economic accord" between the AFL-CIO and the administration "might" be jeopardized.) The problem is, Kirkland is not known for his ability to distinguish between the "social need" known as industrial production and employment, and legalized gambling, urban slave-labor and the like.

One labor leader, at least, has made a forceful statement. Ralph Greene, Secretary-Treasurer of Local 713, Federal Printers Union, issued the following statement several days ago from his Washington, D.C. headquarters:

"I am asking all concerned citizens, trade unionists, and elected representatives to join me in demanding that President Carter and the U.S. Congress reverse the disastrous monetary policy re-

cently implemented by Chairman of the Federal Reserve Board, Paul Volcker. His policy of raising interest rates and reducing available credit, together with his call for the elimination of the cost of living escalator clause, will destroy our economy and increase unemployment. Volcker made his point unmistakably clear in testimony before the Joint Economic Committee where he stated, 'In order to stop inflation, the U.S. population must accept a lower standard of living'."

Until now, most labor leaders have been content to leave overall economic policy to the backrooms of Washington and New York—and London, where Volcker's policy was devised—while staying home and bickering with local management over shop-level agreements promptly rendered meaningless by decisions taken in Washington, New York and London. Powerful thieves and "feudal" lunatics who despise industrial growth are threatening to destroy the economy, the labor movement, and the nation. They do not understand "criticism" of their policy. We need measures that can defend the nation's currency and banking institutions, while safeguarding our crippled steel industry, our threatened nuclear energy and aerospace sectors, our construction industry, and others, from the assault of the anti-American faction in the nation's political life. Labor must help mobilize a political movement of this country's population to deliver a resounding defeat to those, like Paul Volcker, who seek to destroy us. Then we can get on with the urgent job of domestic and global recovery.

Labor needs more Ralph Greene's.

—Lydia Cherry

WORLD TRADE REVIEW

New trade deals

COST	PRINCIPALS	PROJECT / NATURE OF DEAL	FINANCING	STATUS
Up to \$1 bn.	Lebanon from U.S. and Europe	Middle East Airlines plans to buy up to 19 short-to-medium-range airliners.		Exact mix of planes is under discussion
Above \$900 mn. per annum for oil in first years	Japan/Mexico	Mexico will export 100,000 bpd of oil and (on its insistence) other products to Japan. Joint investments in steel, heavy machinery, capital goods, port development, mass transport systems, maritime transport and tourism are under discussion. Mexican oil exports to Japan will be boosted to 300,000 bpd by 1983.		Agreement will be signed next month, according to Japan's ambassador to Mexico
\$400 mn.	Canada from U.S.	CP Air (Vancouver) places firm order for four Boeing 767 jets, options on four more.		Boeing announcement
\$214 mn.	Iraq from Japan	Mitsubishi will supply two turnkey LPG projects.		
\$22 mn.	Qatar from U.K.	Protek International will serve as consultant for gas transmission project to service a new power station in Doha.		Contract awarded by Qatar government
\$10.9 mn.	Iraq from Italy	Ingeco Lang International will erect a loading facility at Salahuddin.		
	EEC/Comecon	Sector-to-sector trade pact.		Preliminary talks begin Nov. 26
\$3.2 bn.	Iran from Japan	Mitsui petrochemical construction project has been revived and will be completed.		

Abbreviations:

U = Undetermined
 NAp = Not applicable
 NAv = Not available

***Status:**

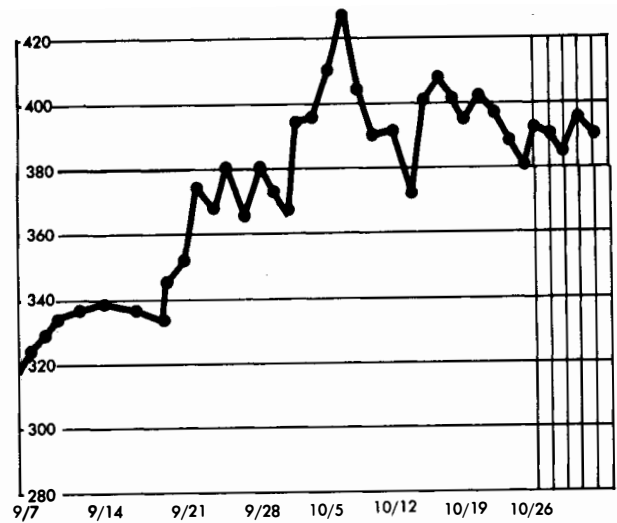
I = signed, work in progress
 II = signed, contracts issued
 III = deal signed
 IV = in negotiation
 V = preliminary talks

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Gold

London afternoon fixing

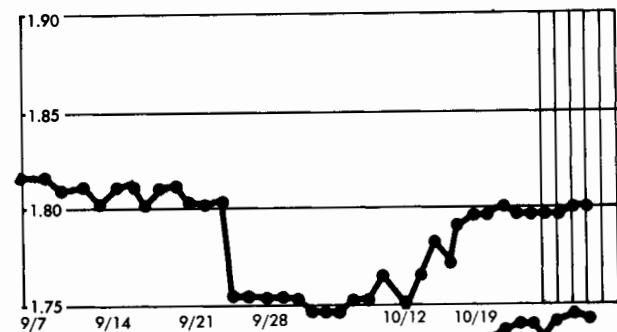
October 19	393.00
22	392.00
23	385.00
24	395.00
25	391.80



The dollar in deutschemarks

New York late afternoon

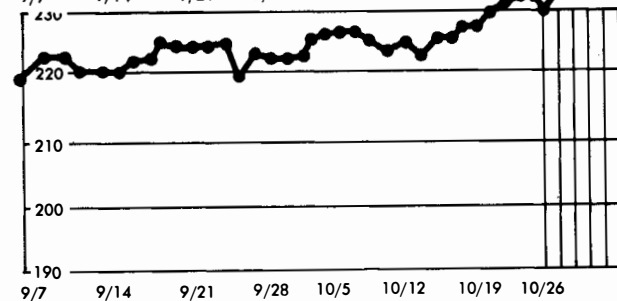
October 18	1.7965
19	1.7995
22	1.7995
23	1.8065
24	1.8026



The dollar in yen

New York late afternoon

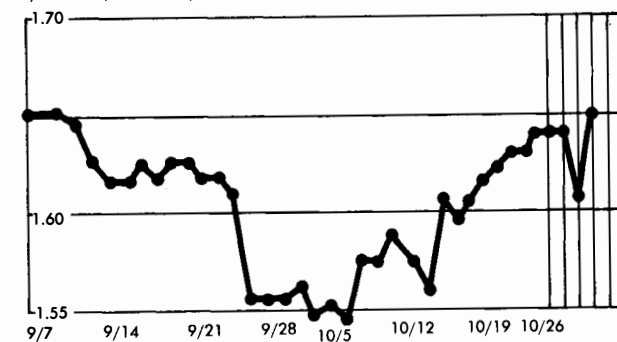
October 18	232.75
19	230.50
22	233.80
23	235.10
24	234.00



The dollar in Swiss francs

New York late afternoon

October 18	1.6375
19	1.6465
22	1.6465
23	1.6610
24	1.6540



The British pound in dollars

New York late afternoon

October 18	2.1515
19	2.1545
22	2.1450
23	2.1175
24	2.1160

